

**TOWN OF MELBOURNE BEACH, FLORIDA  
FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021**



**TOWN COMMISSION**  
*(As of September 30, 2021)*

*Wyatt Hoover, Mayor*  
*Joyce D. Barton, Vice Mayor*  
*Sherri Quarrie*  
*Corey Runte*  
*Marivi Walker*

**TOWN MANAGER**

Elizabeth Mascaro

**TOWN CLERK**

Jennifer Torres

**FINANCE MANAGER**

Jennifer Kerr

**TOWN OF MELBOURNE BEACH, FLORIDA  
TABLE OF CONTENTS  
SEPTEMBER 30, 2021**

**Financial Section**

Independent Auditors' Report.....	1 - 2
Management's Discussion and Analysis.....	3 - 11
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position.....	12
Statement of Activities.....	13
Fund Financial Statements	
Balance Sheet—Governmental Funds .....	14
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position.....	15
Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.....	18
Statement of Fiduciary Net Position – Fiduciary Funds .....	19
Statement of Changes in Fiduciary Net Position – Fiduciary Funds .....	20
Notes to Financial Statements .....	21 - 45
Required Supplementary Information	
Schedule of Changes in Total OPEB Liability and Related Ratios.....	46
Schedule of Changes in Net Pension Liability and Related Ratios.....	47
Schedule of Contributions.....	48
Schedule of Investment Returns.....	49
Schedule of Proportionate Share of Net Pension Liability – FRS/HIS .....	50
Schedule of Contributions – FRS/HIS .....	51
Combining Nonmajor Governmental Funds Financial Statements	
Combining Balance Sheet—Nonmajor Governmental Funds .....	52
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Governmental Funds.....	53

**Compliance Section**

Independent Auditors' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with <i>Government Auditing Standards</i> .....	54 - 55
Independent Auditors' Management Letter Required by Chapter 10.550, Rules of the State of Florida Office of the Auditor General .....	56 - 57
Independent Accountants' Examination Report.....	58
Management's Response to Findings.....	59



## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, Town Commission, and Town Manager,  
Town of Melbourne Beach, Florida:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Melbourne Beach, Florida, (the Town), as of and for the year ended September 30, 2021, 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***

The Town's 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.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town, as of September 30, 2021, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund 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 the management's discussion and analysis and required supplementary information, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

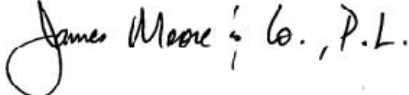
### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining nonmajor governmental funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental funds financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor governmental funds financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2022, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

  
James Moore & Co., P.L.

Daytona Beach, Florida  
April 28, 2022

## **Town of Melbourne Beach, Florida Management's Discussion and Analysis**

As management of the Town of Melbourne Beach (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2021.

### **Financial Highlights**

- The assets of the Town of Melbourne Beach exceeded its liabilities at the close of the 2021 fiscal year by \$9,496,492 (net position). Of this amount, \$6,439,807 is net investment in capital assets while restricted net position is \$348,269. \$2,140,254 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The total net position increased \$964,285 from the previous year.
- As of the close of fiscal year 2021, the Town's governmental funds reported combined ending fund balances of \$4,101,059, an increase of \$63,006 in comparison with the prior year. While \$1,096,775 represents the portion restricted by outside parties, and \$293,960 is assigned for capital improvements, \$2,652,611 of the governmental funds balance is available for spending at the government's discretion (unassigned fund balance). An additional \$57,713 of governmental fund balance is non-spendable for current obligations.
- At the end of the 2021 fiscal year, unassigned fund balance for the general fund was \$2,652,611 or 91.2% of total general fund expenditures.
- The Town's total long term liabilities decreased by \$440,531 during the 2021 fiscal year. This reflects the repayment of outstanding balances for bonds, notes and capital leases.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town'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.

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, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The governmental activities of the Town include general government, public safety, physical environment, and recreation. The government-wide financial statements can be found on pages 12-13 of this report.

## Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

## Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains 12 individual governmental funds, including the General Fund, Capital Projects Fund, two Debt Service Funds (combined), Building Department, Police Education, Police Donations, Law Enforcement Forfeiture, Building Education, Stormwater Utility, Historic Preservation, and Old Town Hall. The General Fund, two Debt Service Funds (combined), and Capital Projects Fund are reported as major funds.

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 major funds. Data from the non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 14-17 of this report.

## Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 19-20 of this report.

## Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-45 of this report.

## Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees. Required supplementary information can be found on pages 46-51 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 52-53 of this report.

## **Government-wide Financial Analysis**

The following is a summary of the Town's governmental activities net position for each of the past two years:

	<u>2021</u>	<u>2020</u>
Assets		
Current and other assets	\$ 4,974,711	\$ 4,151,717
Capital assets, net	9,076,525	8,635,994
	<u>\$ 14,051,236</u>	<u>\$ 12,787,711</u>
Total assets		
Deferred outflows of resources	<u>\$ 452,026</u>	<u>\$ 539,414</u>
Liabilities		
Current liabilities	\$ 890,826	\$ 146,823
Noncurrent liabilities	3,245,553	4,474,773
	<u>\$ 4,136,379</u>	<u>\$ 4,621,596</u>
Deferred inflows of resources	<u>\$ 870,391</u>	<u>\$ 173,322</u>
Net position		
Net investment in capital assets	\$ 6,587,955	\$ 6,043,684
Restricted	559,709	348,269
Unrestricted	2,348,828	2,140,254
	<u>\$ 9,496,492</u>	<u>\$ 8,532,207</u>
Total net position		

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$9,496,492 at the close of the 2021 fiscal year. By far the largest portion of the Town's net position (69.4% percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure and improvements), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Of the remaining net position, \$559,709 represents resources that are subject to external restrictions on how they may be used. These restrictions relate primarily to externally imposed restrictions on funding for debt and capital purposes. The remaining balance of the net position which represents amounts available to meet the Town's ongoing obligations to citizens and creditors at the discretion of the Commission is \$2,348,828 for the 2021 fiscal year.

The following is a summary of the changes in the Town's governmental activities net position for each of the past two years:

	<u>2021</u>	<u>2020</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 486,616	\$ 282,365
Operating Grants	256,477	215,298
Capital Grants	38,778	3,109
General Revenues:		
Property taxes	2,431,302	2,303,281
Sales and use taxes	334,587	316,586
Franchise and utility taxes	256,007	243,258
Public services taxes	331,648	328,570
Insurance premium taxes	42,470	42,206
State revenue sharing	89,973	80,491
Investment earnings (loss)	1,370	7,079
Miscellaneous revenues	1,533	9,394
Total Revenues	<u>4,270,761</u>	<u>3,831,637</u>
Expenses:		
General government	1,142,131	1,247,712
Public safety	1,451,934	1,634,271
Physical environment	410,564	337,485
Culture/recreation	210,989	111,600
Interest on long-term debt	90,858	149,165
Total Expenses	<u>3,306,476</u>	<u>3,480,233</u>
Changes in net position	964,285	351,404
Beginning net position	<u>8,532,207</u>	<u>8,180,803</u>
Ending net position	<u>\$ 9,496,492</u>	<u>\$ 8,532,207</u>

#### Governmental activities

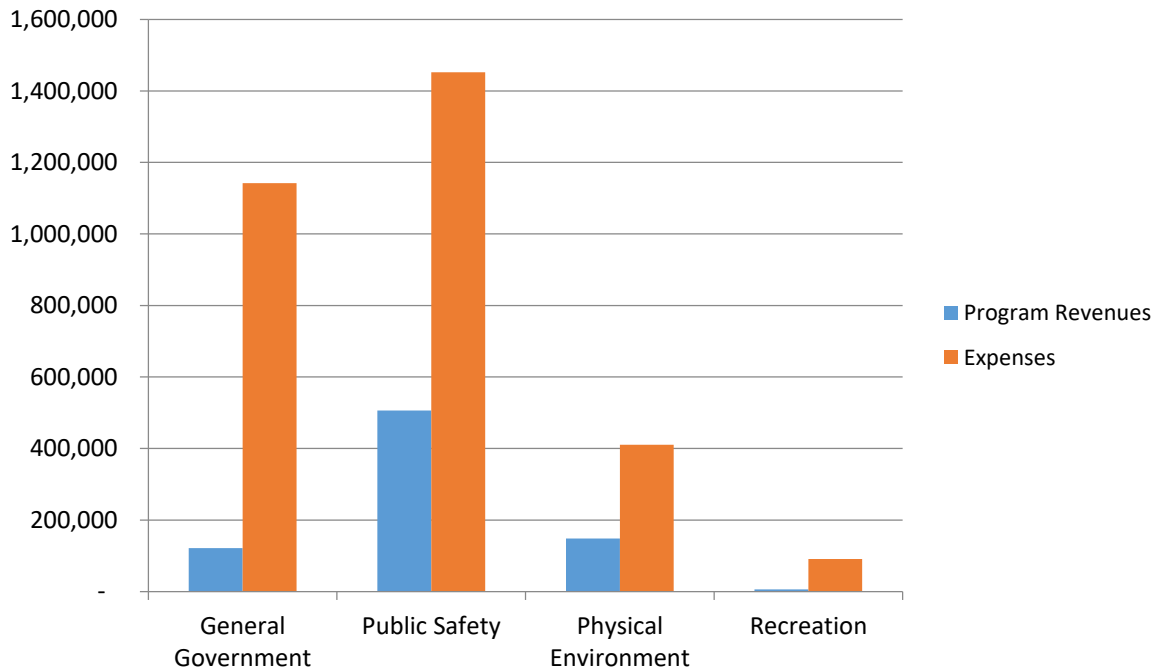
Governmental activities increased the Town's net position by \$964,285. This amount is primarily attributable to increases in property tax revenues.

- The Town's total revenues related to governmental activities decreased by approximately \$439,124 from the prior year. Factors that contributed to an increase in revenues are an increase General Revenue taxes and operating grant revenues.
- Expenses related to governmental activities decreased by \$173,757 from the prior year. This is related to an increase in general government payroll related expenses and the change in net pension liability, and professional services/legal counsel expense.



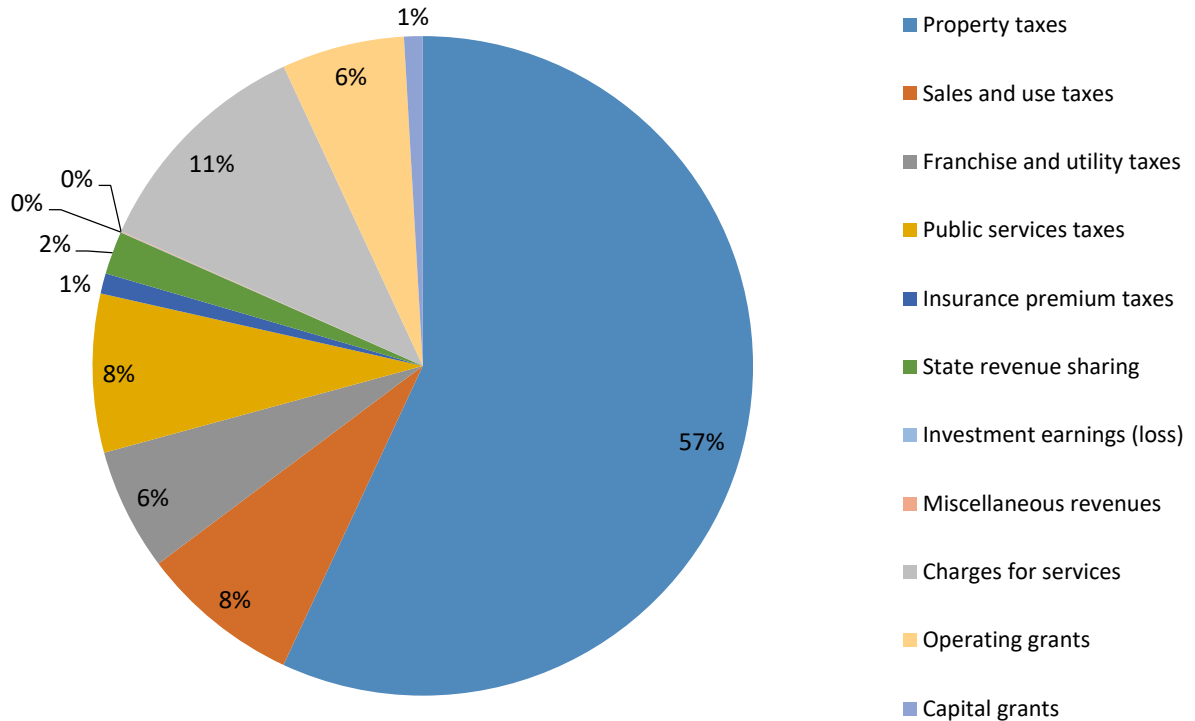
## Expenses and Program Revenues - Governmental Activities

The following chart summarizes the Town's program revenues and expenses by function:



## Revenues by Source - Governmental Activities

The following chart summarizes the Town's revenues by source:



## Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year 2021, the Town's governmental funds reported combined ending fund balances of \$4,101,059, an increase of \$63,006 in comparison with the prior year. As of the end of fiscal year 2021, \$57,713 of the fund balance is designated as non-spendable to indicate that it is not available for new spending because it has already been spent on prepaid items. A portion of the fund balances is restricted in use by outside parties for the following: \$495,999 for debt purposes; \$8,552 for historic preservation; \$519,892 for stormwater construction; \$20,257 for education; and \$22,091 for building department operations. Additionally, \$293,960 has been assigned by the Town Commission for capital improvements. The remaining amount, \$2,348,848 constitutes unassigned fund balance, which is available for spending at the government's discretion.

The General Fund is the chief operating fund of the Town. At the end of the 2021 fiscal year, unassigned fund balance of the general fund was \$2,691,625 while total general fund balance was \$2,765,171. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. An excess of revenues over expenditures of \$757,570 was partially offset by \$120,300 of transfers to the debt service fund for debt payments.

The American Rescue Plan fund has zero fund balance; future revenues will be earned to the extent of expenditures in accordance with the Town's subrecipient agreement for approximately \$1.65 million on Coronavirus State and Local Fiscal Recovery Funds.

The Debt Service Fund has a fund balance of \$495,999. The net change during the current year in the debt service fund was \$166,452. The increase was due to the collection funds and required transfers in greater than the amount due for FY2021. The additional monies collected will be used to prepay the debt.

The Capital Projects Fund has a fund balance of \$822,404. The net change in fund balance during the current year in the capital projects fund was \$(253,020). There were minimal capital projects and other improvements in FY2021.

The Nonmajor Funds have a fund balance of \$17,485 at the end of the year. The net change during the current year in the funds was (\$58,781). The increase was primarily due to the Stormwater Utility Fund being presented as a non-major fund in the current year after being presented as a major fund in the previous year.

### **General Fund Budgetary Highlights**

Although the Town inputs the budget by line item, the tracking of the budget is done at the department level. Department budgeting allows management to check budgets for negatives by classifications in accordance with the State of Florida's Uniform Accounting System Manual.

### **Capital Asset and Debt Administration**

**Capital assets.** The Town's investment in capital assets for its governmental funds as of September 30, 2021, amounts to \$9,076,525 (net of accumulated depreciation). This represents a net increase of \$440,531. The current year additions include \$72,595 of buildings and improvements and \$218,244 of equipment and \$703,149 in infrastructure. The Town had one project under construction at the end of 2021. Current year depreciation expense totaled \$556,595.

The following summaries the Town's capital assets as of September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Capital assets, not being depreciated –		
Land	\$ 897,742	\$ 897,742
Construction in progress	3,138	-
Total capital assets, not being depreciated	<u>900,880</u>	<u>897,742</u>
Capital assets, being depreciated –		
Buildings and improvements	4,709,531	4,636,936
Equipment	2,470,132	2,251,888
Infrastructure	7,580,125	6,876,976
Total capital assets, being depreciated	<u>14,759,788</u>	<u>13,765,800</u>
Less: accumulated depreciation	<u>(6,584,143)</u>	<u>(6,027,548)</u>
Total capital assets, being depreciated, net	<u>8,175,645</u>	<u>7,738,252</u>
Governmental activities capital assets, net	<u>\$ 9,076,525</u>	<u>\$ 8,635,994</u>

Additional information on the Town's capital assets can be found in Note (7) on page 31 of this report.

**Long-term Debt.** At the end of the 2021 fiscal year, the Town had total bonded debt and notes payable principal outstanding of \$2,457,246.

The following summaries the Town's long-term debt (excluding the net pension liability and total OPEB liability) as of September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Notes and bonds payable	\$ 2,379,000	\$ 2,655,000
Less deferred amounts:		
Original issue premium	100,320	113,834
Original issue (discount)	(22,074)	(26,882)
Total notes and bonds payable	<u>2,457,246</u>	<u>2,741,952</u>
Capital leases	31,324	75,783
Compensated absences	271,022	244,631
Total	<u>\$ 2,759,592</u>	<u>\$ 3,062,366</u>

The Town's long-term liabilities decreased by \$302,774 during the current fiscal year. This decrease was attributable to repayment of bonds, notes, and capital leases.

Additional information on the Town's long-term liabilities can be found in Notes (8) and (9) on pages 32-33 of this report.

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

The Town Commission approved a millage rate of 4.5151 for Fiscal Year 2021. The millage rate for Fiscal Year 2020 was 4.5340. The taxable value of real property increased by 2.30% percent for Fiscal Year 2021 and is expected to increase in Fiscal Year 2022.

## **Other Factors**

The Building Department continues to receive permits daily for new home construction, major and minor remodels and pool installations. The number of new homes increased by 25% over FY2020, pool installations decreased 23% by 125%, home renovations decreased by 20% and overall inspection decreased 16%. Building revenue was down 19% over FY2020.

The Town continues to focus on upgrading its roads, stormwater system, parks, and services to the residents of our community. Parking Kiosks were installed at Ryckman Park and Ocean Park for paid parking located at Ryckman Park, Ocean Park, and the dune crossovers. The Police Department purchased one vehicle this year in addition to body cameras and a Taser. They also received COVID Grant Funding to purchase two ATVs and a Message Board Trailer. The Fire Department installed an extractor washer and air dryer to wash their bunker gear. They also received a new extrication tool set funded through the Firehouse Subs Grant. Funds continue to be set aside for the repaving of roads, dune crossovers, and Community Center upgrades. Public Works purchased a Street Sweeper and continues to improve the Town.

## **Requests for Information**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Manager, 507 Ocean Avenue, Melbourne Beach, Florida 32951.

**TOWN OF MELBOURNE BEACH, FLORIDA**  
**STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES**  
**SEPTEMBER 30, 2021**

<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,599,952
Investments	455,603
Receivables, net	89,885
Due from other governments	771,558
Prepays	57,713
Capital assets:	
Non-depreciable capital assets	900,880
Other capital assets, net of depreciation	8,175,645
Total assets	<u>\$ 14,051,236</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	\$ 444,303
Deferred outflows related to OPEB	7,723
Total deferred outflows of resources	<u>\$ 452,026</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 27,014
Accrued payroll and employee benefits	12,074
Customer deposits	2,843
Unearned revenue	831,721
Accrued interest payable	17,174
Noncurrent liabilities:	
Due within one year:	
Bonds and notes payable	204,000
Capital leases	31,324
Compensated absences	135,511
Due in more than one year:	
Bonds and notes payable	2,253,246
Compensated absences	135,511
Total OPEB liability	45,311
Net pension liability	440,650
Total liabilities	<u>\$ 4,136,379</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	\$ 865,509
Deferred inflows related to OPEB	4,882
Total deferred inflows of resources	<u>\$ 870,391</u>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 6,587,955
Restricted for:	
Debt service	478,825
Capital projects	30,643
Law enforcement	20,257
Fire department	15,833
Ocean Park	12,015
Building department education	2,136
Unrestricted	2,348,828
Total net position	<u>\$ 9,496,492</u>

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

**TOWN OF MELBOURNE BEACH, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

<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 and Contributions</u>		<u>Capital Grants and Contributions</u>
Governmental activities:					
General government	\$ 1,142,131	\$ 24,285	\$ 96,832	\$ -	\$ (1,021,014)
Public safety	1,451,934	401,367	66,290	38,733	(945,544)
Physical environment	410,564	54,824	93,355	45	(262,340)
Culture and recreation	210,989	6,140	-	-	(204,849)
Interest on long-term debt	90,858	-	-	-	(90,858)
Total governmental activities	<u>\$ 3,306,476</u>	<u>\$ 486,616</u>	<u>\$ 256,477</u>	<u>\$ 38,778</u>	<u>(2,524,605)</u>
General revenues:					
Property taxes					2,431,302
Sales and use taxes					334,587
Franchise and utility taxes					256,007
Public service taxes					331,648
Insurance premium taxes					42,470
State revenue sharing					89,973
Investment earnings (loss)					1,370
Miscellaneous revenues					1,533
Total general revenues					<u>3,488,890</u>
Change in net position					964,285
Net position - beginning					<u>8,532,207</u>
Net position - ending					<u>\$ 9,496,492</u>

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

**TOWN OF MELBOURNE BEACH, FLORIDA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2021**

	<u>General</u>	<u>American Rescue Plan</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Equity in pooled cash and cash equivalents	\$ 2,066,920	\$ 825,907	\$ 495,999	\$ 154,365	\$ 56,761	\$ 3,599,952
Investments	455,603	-	-	-	-	455,603
Receivables, net	89,885	-	-	-	-	89,885
Due from other governments	102,823	-	-	668,040	695	771,558
Due from other funds	36,304	-	-	-	-	36,304
Prepaid items	57,713	-	-	-	-	57,713
Total assets	<u>\$ 2,809,248</u>	<u>\$ 825,907</u>	<u>\$ 495,999</u>	<u>\$ 822,405</u>	<u>\$ 57,456</u>	<u>\$ 5,011,015</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 23,346	\$ -	\$ -	\$ 1	\$ 3,667	\$ 27,014
Accrued liabilities	12,074	-	-	-	-	12,074
Customer deposits	2,843	-	-	-	-	2,843
Unearned revenue	5,814	825,907	-	-	-	831,721
Due to other funds	-	-	-	-	36,304	36,304
Total liabilities	<u>44,077</u>	<u>825,907</u>	<u>-</u>	<u>1</u>	<u>39,971</u>	<u>909,956</u>
<b>FUND BALANCES</b>						
Nonspendable:						
Prepaid items	57,713	-	-	-	-	57,713
Restricted for:						
Debt service	-	-	495,999	-	-	495,999
Historic preservation	-	-	-	8,552	-	8,552
Stormwater construction	-	-	-	519,892	-	519,892
Ocean state park	-	-	-	-	12,015	12,015
Law enforcement education	-	-	-	-	20,257	20,257
Fire department	15,833	-	-	-	-	15,833
Building department education	-	-	-	-	2,136	2,136
Old Town Hall	-	-	-	-	22,091	22,091
Assigned to:						
Capital improvements	-	-	-	293,960	-	293,960
Unassigned	2,691,625	-	-	-	(39,014)	2,652,611
Total fund balances	<u>2,765,171</u>	<u>-</u>	<u>495,999</u>	<u>822,404</u>	<u>17,485</u>	<u>4,101,059</u>
<b>Total liabilities and fund balances</b>	<u>\$ 2,809,248</u>	<u>\$ 825,907</u>	<u>\$ 495,999</u>	<u>\$ 822,405</u>	<u>\$ 57,456</u>	<u>\$ 5,011,015</u>

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



**TOWN OF MELBOURNE BEACH, FLORIDA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2021**

**Fund balances - total governmental funds** \$ 4,101,059

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds

Total governmental capital assets	15,660,668	
Less: accumulated depreciation	<u>(6,584,143)</u>	9,076,525

On the governmental fund statements, a net pension liability is not recorded until an amount is due and payable and the pension plan's fiduciary net position is not sufficient for payment of those benefits (no such liability exists at the end of the current fiscal year). On the Statement of Net Position, the Town's net pension liability of the defined benefit pension plans is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to pensions are also reported.

Net pension liability	(440,650)	
Deferred outflows related to pensions	444,303	
Deferred inflows related to pensions	<u>(865,509)</u>	(861,856)

On the governmental fund statements, a total OPEB liability is not recorded unless an amount is due and payable (no such liability exists at the end of the current fiscal year). On the Statement of Net Position, the Town's total OPEB liability is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to OPEB are also reported.

Total OPEB liability	(45,311)	
Deferred outflows related to OPEB	7,723	
Deferred inflows related to OPEB	<u>(4,882)</u>	(42,470)

Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities and other long-term liabilities consist of the following:

Bonds and notes payable	(2,457,246)	
Capital leases payable	(31,324)	
Accrued interest payable	(17,174)	
Compensated absences	<u>(271,022)</u>	(2,776,766)

**Net position of governmental activities** \$ 9,496,492

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

**TOWN OF MELBOURNE BEACH, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>General</u>	<u>American Rescue Plan</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>						
Taxes	\$ 2,844,411	\$ -	\$ 441,437	\$ -	\$ -	\$ 3,285,848
Licenses and permits	177,009	-	-	-	3,016	180,025
Intergovernmental	458,474	-	-	-	-	458,474
Charges for services	71,844	-	-	-	132,980	204,824
Fines and forfeitures	98,403	-	-	-	569	98,972
Interest revenues (loss)	1,370	-	-	-	-	1,370
Miscellaneous	14,285	-	-	195	3,822	18,302
<b>Total revenues</b>	<u>3,665,796</u>	<u>-</u>	<u>441,437</u>	<u>195</u>	<u>140,387</u>	<u>4,247,815</u>
<b>Expenditures</b>						
Current:						
General government	816,847	-	-	-	-	816,847
Public safety	1,483,605	-	-	-	388	1,483,993
Parks and recreation	58,607	-	-	-	56,611	115,218
Physical environment	277,926	-	-	281	82,852	361,059
Capital outlay	222,780	-	-	730,349	10,817	963,946
Debt service						
Principal	44,459	-	276,000	-	-	320,459
Interest and fiscal charges	4,002	-	116,537	-	-	120,539
Debt issuance costs	-	-	2,748	-	-	2,748
<b>Total expenditures</b>	<u>2,908,226</u>	<u>-</u>	<u>395,285</u>	<u>730,630</u>	<u>150,668</u>	<u>4,184,809</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>757,570</u>	<u>-</u>	<u>46,152</u>	<u>(730,435)</u>	<u>(10,281)</u>	<u>63,006</u>
<b>Other financing sources (uses)</b>						
Transfers in	1,500	-	120,300	480,415	2,929	605,144
Transfers out	(550,715)	-	-	(3,000)	(51,429)	(605,144)
<b>Total other financing sources (uses)</b>	<u>(549,215)</u>	<u>-</u>	<u>120,300</u>	<u>477,415</u>	<u>(48,500)</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>208,355</u>	<u>-</u>	<u>166,452</u>	<u>(253,020)</u>	<u>(58,781)</u>	<u>63,006</u>
<b>Fund balances, beginning of year</b>	2,556,816	-	329,547	1,075,424	76,266	4,038,053
<b>Fund balances, end of year</b>	<u>\$ 2,765,171</u>	<u>\$ -</u>	<u>\$ 495,999</u>	<u>\$ 822,404</u>	<u>\$ 17,485</u>	<u>\$ 4,101,059</u>

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

**TOWN OF MELBOURNE BEACH, 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, 2021**

<b>Net change in fund balances - total governmental funds</b>	\$	63,006
Differences in amounts reported for governmental activities in the statement of activities are:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
Capital outlay expenditures		963,946
Depreciation expense		(556,595)
Bond and loan proceeds are reported as financing sources in the governmental funds. However, the issuance of debt is reported as long-term debt payable in the statement of net position. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment of debt principal reduces long-term liabilities in the statement of net position. These amounts are as follows:		
Principal repayment of general long-term debt		320,459
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements:		
Collection of grant receivable reported as deferred inflow in prior year		(7,738)
Donations of capital assets		33,180
Governmental funds report contributions to defined benefit pension plans as expenditures. However, in the Statement of Activities, the amount contributed to defined benefit pension plans reduces future net pension liability. Also included in pension expense in the Statement of Activities are amounts required to be amortized.		
Change in net pension liability and deferred inflows/outflows related to pensions		148,442
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. These adjustments are as follows:		
Change in accrued interest on long-term debt		32,429
Change in net OPEB obligation		(6,453)
Change in compensated absences liability		(26,391)
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>964,285</b>

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

**TOWN OF MELBOURNE BEACH, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>Revenues</b>				
Taxes	\$ 2,725,512	\$ 2,725,512	\$ 2,844,411	\$ 118,899
Licenses and permits	174,875	174,875	177,009	2,134
Intergovernmental	351,400	412,502	458,474	45,972
Charges for services	71,970	71,970	71,844	(126)
Fines and forfeitures	11,425	11,425	98,403	86,978
Interest revenues	7,400	7,400	1,370	(6,030)
Miscellaneous	9,950	19,502	14,285	(5,217)
<b>Total revenues</b>	<u>3,352,532</u>	<u>3,423,186</u>	<u>3,665,796</u>	<u>242,610</u>
<b>Expenditures</b>				
Current:				
General Government:				
Legislative	129,477	118,627	109,029	9,598
Executive	165,551	167,551	167,457	94
Finance	115,161	115,161	112,435	2,726
Legal	98,250	98,250	75,749	22,501
Grants & special projects	28,000	28,000	16,398	11,602
Contingency and other	513,332	550,584	398,808	151,776
Public Safety:				
Police	1,177,071	1,217,260	1,209,317	7,943
Fire	331,813	312,002	270,717	41,285
Building	219,574	219,574	166,995	52,579
Code enforcement	18,017	18,017	17,159	858
Parks and recreation	79,644	101,494	72,626	28,868
Physical environment	305,177	305,177	291,536	13,641
<b>Total expenditures</b>	<u>3,181,067</u>	<u>3,251,697</u>	<u>2,908,226</u>	<u>343,471</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>171,465</u>	<u>171,489</u>	<u>757,570</u>	<u>586,081</u>
<b>Other financing sources (uses)</b>				
Transfers in	18,000	1,500	1,500	-
Transfers out	(194,668)	(550,715)	(550,715)	-
<b>Total other financing sources (uses)</b>	<u>(176,668)</u>	<u>(549,215)</u>	<u>(549,215)</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>(5,203)</u>	<u>(377,726)</u>	<u>208,355</u>	<u>586,081</u>
<b>Fund balances, beginning of year</b>	2,556,816	2,556,816	2,556,816	-
<b>Fund balances, end of year</b>	<u>\$ 2,551,613</u>	<u>\$ 2,179,090</u>	<u>\$ 2,765,171</u>	<u>\$ 586,081</u>

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

**TOWN OF MELBOURNE BEACH, FLORIDA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2021**

	<u><b>Municipal Police Officers' Retirement Trust Fund</b></u>
<b>ASSETS</b>	
Cash and cash equivalents with trustee	\$ 63,446
Investments, at fair value Mutual and pooled funds	4,631,719
Total assets	<u><u>\$ 4,695,165</u></u>
<b>LIABILITIES</b>	
Prepaid employer contributions	<u><u>\$ 1,375</u></u>
<b>NET POSITION</b>	
Restricted for pensions	<u><u>\$ 4,693,790</u></u>

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

**TOWN OF MELBOURNE BEACH, FLORIDA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<b>Municipal Police Officers' Retirement Trust Fund</b>
<b>Additions</b>	
Contributions:	
Employer	\$ 252,549
Plan members	28,185
State - insurance premium taxes	42,470
Total contributions	323,204
Investment earnings:	
Interest and dividends	137,601
Net appreciation (depreciation) in fair value of investments	774,283
Total investment earnings	911,884
Less: investment expense	(20,500)
Net investment income (loss)	891,384
Total additions	1,214,588
<b>Deductions</b>	
Benefit payments	270,233
Administrative expenses	18,688
Total deductions	288,921
<b>Change in net position</b>	925,667
<b>Net position restricted for pensions, beginning of year</b>	3,768,123
<b>Net position restricted for pensions, end of year</b>	\$ 4,693,790

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

**TOWN OF MELBOURNE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

(1) **Summary of Significant Accounting Policies:**

The financial statements of the Town of Melbourne Beach, Florida (the Town), have been prepared in accordance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for promulgating governmental accounting and financial reporting principles. The following is a summary of the Town's significant accounting policies:

(a) **Reporting entity**—The Town is a municipal corporation created by the Laws of Florida, located in Brevard County. The Town was originally incorporated under the general Laws of Florida in 1923, and adopted its first charter in November 1973, under the provisions of Chapter 9833, Laws of Florida, Acts of 1923. The legislative branch of the Town is composed of an elected five-member Town Commission consisting of the Mayor and four commissioners. The Town Commission is governed by the Town Charter and by state and local laws and regulations. The Town Commission is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Commission-appointed Town Manager.

The accompanying financial statements present the financial position, results of operations, and cash flows of the applicable funds governed by the Town Commission of the Town, the reporting entity of government for which the Town Commission is considered to be financially accountable. In evaluating the Town as a reporting entity, management has addressed all potential component units that may or may not fall within the Town's oversight and control, and thus, be included in the Town's financial statements. No such entities or component units have been identified.

(b) **Government-wide and fund financial statements**—The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide statement of net position, the governmental activities are presented on a consolidated basis and are reflected, on a full accrual, economic resource basis, which incorporates long term assets and receivables as well as long term debt and obligations. The Town has no business-type activities.

The government-wide statement of activities reflects both the gross and net costs per functional category (public safety, physical environment, etc.), which are otherwise being supported by general government revenues (property, sales taxes, certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses (including depreciation) by the related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net cost (by function) is normally covered by general revenue (property, sales taxes, intergovernmental revenues, interest income, etc.). This government-wide focus is more on the sustainability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements emphasize the major funds of the Town.

**TOWN OF MELBOURNE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

(1) **Summary of Significant Accounting Policies:** (Continued)

The governmental funds' major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to demonstrate legal compliance and demonstrate how the Town's actual experience conforms to the budgeted fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statement, a reconciliation is presented on the page following the Governmental Funds – Balance Sheet and the Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances, which briefly explains the adjustments necessary to transform the fund-based financial statements into the government-wide presentation.

The Town's fiduciary fund is presented in the fund financial statements by type (pension). Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

As a general rule, the effect of interfund Town activities has been eliminated from the government-wide financial statements.

(c) **Measurement focus and basis of accounting**—The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and pensions, are recorded only when payment is due.

Taxes, intergovernmental revenue, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.



**TOWN OF MELBOURNE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

(1) **Summary of Significant Accounting Policies:** (Continued)

(d) **Financial statement presentation**—The financial transactions of the Town are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The GASB Codification sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of all funds combined) for the determination of major funds.

The Town reports the following major governmental funds:

The **General Fund** accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the Town are financed through revenues received by the General Fund.

The **Debt Service Fund** is used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest, and related costs. This fund type is used to provide for the debt service requirements of the Town's governmental long-term debt. The Town operates multiple debt service funds that account for all general fund debt service expenses.

The **Capital Projects Fund** is used to account for financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities or other capital assets. The Town operates multiple capital projects funds that account for all general fund capital outlay expenses.

The **American Rescue Plan Fund** is a special revenue fund used to account for revenues and expenditures funded by the American Rescue Plan Act of 2021.

Additionally, the Town reports the following fiduciary fund:

The **Municipal Police Officer's Retirement Trust Fund** accounts for the financial activities of the Police Officers' Retirement Trust Fund, which accumulates financial resources to pay pension benefits to qualified police officers.

(e) **Budgets and budgetary accounting**—Annual budgets for all governmental funds were adopted in compliance with Florida law. The basis on which the budgets are prepared is consistent with the basis of accounting utilized by the various fund types. The governmental funds' budgets are prepared on the modified accrual basis of accounting. The Town uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

- i. Prior to September 1st, the Town Manager submits a preliminary budget to the Town Commission for the ensuing fiscal year.
- ii. Budget workshop sessions are scheduled by the Town Commission, as needed.

**TOWN OF MELBOURNE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

(1) **Summary of Significant Accounting Policies:** (Continued)

- iii. A general summary of the budget and notice of public hearing is published in a local newspaper.
- iv. Prior to October 1<sup>st</sup>, the budget is legally enacted through passage of a resolution.
- v. The Town Commission, by resolution, may make supplemental appropriations in excess of those estimated for the year up to the amount of available revenue. Prior to the end of the fiscal year, supplemental appropriations are made for unanticipated spending requirements by the Commission.
- vi. The Town Manager may make transfers within a department as long as the total budget for the department is not increased. Transfers of appropriations between departments require the approval of the Commission. The Town's Ordinance establishes the level at which expenditures may not exceed appropriations at the department level.
- vii. Every appropriation lapses at the close of the fiscal year.

The budgets for governmental funds that were either adopted or amended during the year by the Town Commission were prepared using the modified accrual basis of accounting in accordance with generally accepted accounting principles. Each of the Town's governmental funds have legally adopted budgets.

(f) **Use of estimates**—Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates assumed in preparing the financial statements.

(g) **Deposits and investments**—The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

(h) **Receivables and payables**—Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are reported net of an allowance for uncollectible accounts, which is based upon management's analysis of historical trends. All unpaid property taxes receivable at year end are at least 180 days past due, at which time the applicable property is subject to lien, and penalties and interest are assessed; therefore, these amounts are fully allowed for an no provision for taxes receivable has been made on the Town's financial statements.

**TOWN OF MELBOURNE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

(1) **Summary of Significant Accounting Policies:** (Continued)

(i) **Capital assets**—Capital assets include property, plant, equipment and infrastructure assets. The terms general capital assets and general infrastructure assets relate only to the assets associated with governmental activities, whereas the terms capital assets and infrastructure assets relate to all such assets belonging to the Town.

Capital assets are defined by the Town as assets with an initial individual cost of \$1,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost, if purchased or constructed. Contributed assets, including donations and easements or other intangible rights of use, are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are only capitalized if they meet the dollar threshold above for capitalization. Maintenance and repairs of capital assets are charged to operating expenses.

Depreciation is reported for the primary government using the straight-line method calculated on a service-life basis to amortize the cost of the asset over their estimated economic useful lives, which are as follows:

Assets	Years
Building Improvements	7-30 years
Buildings	25-40 years
Equipment	3-18 years
Infrastructure	20-50 years
Leased Property	3-12 years
Vehicles	5-15 years

(j) **Compensated absences**—It is the Town’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and a portion of sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

(k) **Long-term obligations**—In the government-wide financial statements, long-term debt obligations are reported as liabilities, net of any outstanding premiums or discounts. Debt issuance costs are expensed when paid.

(l) **Deferred outflows/inflows of resources**—In addition to assets, the statement of financial position will, if required, report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, this category consisted of deferred amounts related to pension, as discussed further in Note (10), and OPEB, as discussed further in Note (11).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, this category consisted of deferred amounts related to pension, as discussed further in Note (10), and OPEB, as discussed further in Note (11).

**TOWN OF MELBOURNE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

(1) **Summary of Significant Accounting Policies:** (Continued)

(m) **Fund equity**—In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Those classifications are as follows:

*Nonspendable* – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property held for sale unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

*Restricted* – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation (i.e. when the government assesses, levies, charges, or otherwise mandates payment of resources from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

*Committed* – Fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by ordinance of the Town Commission are reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

*Assigned* – Fund balance amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as assigned fund balance, except for stabilization arrangements. Assignments can be made by the Town Commission or the Town Manager.

*Unassigned* – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

For spendable resources, is the Town’s policy to use its resources in the following order as needed to fund expenses: restricted, committed, assigned, unrestricted.

(n) **Impact fees**—The Town has not adopted any ordinances or resolutions to levy impact fees in accordance with Section 163.31801, Florida Statutes.

**TOWN OF MELBOURNE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

(2) **Reconciliation of Government-Wide and Fund Financial Statement:**

(a) **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**—Following the governmental fund balance sheet is a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. A detailed explanation of these differences is provided in this reconciliation.

(b) **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**—Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in this reconciliation.

(3) **Property Tax Calendar:**

Under Florida law, the assessment of all properties and collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser. State laws regulating tax assessment are designed to ensure a consistent property valuation method statewide and permit municipalities to levy property taxes at a rate of up to 10 mills. For the fiscal year ended September 30, 2021, the millage rate assessed by the Town was 4.515 per \$1,000.

All property is assessed according to its fair market value on January 1 of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of State statutes.

The current year taxes for the fiscal year, beginning October 1, are billed in the month of November and are due no later than March 31. On April 1, all unpaid amounts become delinquent and are subject to interest and penalties.

Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, 1% in the month of February, and without discount in March.

The Town recognizes property tax revenues on an accrual basis. Delinquent taxes on real property bear interest of 18% per year. On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest of 18% per year or any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. The Town tax calendar is as follows:

Valuation Date:	January 1, 2020
Preliminary Tax Roll Date:	July 1, 2020
Commission Tax Rate Hearings:	September 2020
Levy Date:	November 1, 2020
Due Date:	March 31, 2021
Lien Date:	June 1, 2021

**TOWN OF MELBOURNE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**(4) Deposits and Investments:**

The Town, for accounting and investment purposes, maintains a pooled noninterest-bearing banking account for substantially all Town funds. Additional accounts are held for various other purposes, or to segregate cash balances for amounts which are restricted or held on behalf of others.

State statutes authorize the Town to invest excess funds in time deposits, obligations of, or obligations the principal and interest of which are unconditionally guaranteed by, the United States Government, commercial paper, corporate bonds, repurchase agreements and/or the State Board of Administration (SBA) Local-Government Surplus Trust Fund Investment Pool or other investment vehicles authorized by local ordinance.

As of September 30, 2021, all Town deposits were covered by private bank acquired insurance, Securities Investor Protection Corporation (SIPC) insurance, private broker/dealer acquired insurance, Federal Depository Insurance Corporation (FDIC) insurance, and/or the State of Florida collateral pool established under the Florida Security for Public Deposits Act (the Act). The Act established guidelines for qualification and participation by banks and savings associations, procedures for administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified depository must pledge at least 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to 125% may be required if deemed necessary.

Obligations pledged to secure deposits must be delivered to the State Treasurer, or with the approval of the State Treasurer to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer. Under the Act, the Town is authorized to deposit funds only in Qualified Public Depositories.

The Town is a member of Florida PRIME, the Local Government Surplus Funds Trust Fund Investment Pool (the Pool), that is administered by the State Board of Administration of Florida (SBA). This pool is a “2a-7 like” pool, which has the characteristics of a money market fund. Therefore, the fair value of investments held at the State Board of Administration Pool is the same as the fair value of the pooled shares. The Regulatory Oversight of the Local Government Surplus Funds Trust fund is governed by Ch. 19-7 of the Florida Administrative Code, which identifies the Rules for the State Board of Administration. These rules provide guidance and establish the general procedure for the administration of the Local Government Surplus Funds Trust Fund. The Local Government Surplus Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedure consistent with the requirements for a 2a-7 fund. As of September 30, 2021, the investment pool had a weighted average of 49 days to maturity.

The Town held no assets or investments carried at fair value at September 30, 2021, and subject to the required disclosures of GASB 72.

***Town Investment Portfolio***

As of September 30, 2021, the Town’s governmental investment portfolio is composed of the following investments:

<u>Investment Type</u>	<u>Credit Quality Rating (S&amp;P)</u>	<u>Carrying Value</u>	<u>Maturities (in Years)</u>		
			<u>Less Than 1</u>	<u>1-5</u>	<u>Over 5</u>
SBA funds	AAAm	\$ 455,603	\$ 455,603	\$ -	\$ -

**TOWN OF MELBOURNE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**(4) Deposits and Investments:** (Continued)

*Interest Rate Risk:* The Town limits its exposure to fair value losses arising from increases in interest rates by limiting the investment of its operating funds in investments with maturities of less than one year. Substantially all of the Town’s surplus funds are invested in the Local Government Surplus Trust Fund. Investments held in the Town’s Police Officer’s Retirement Trust Fund are generally held to maturity to provide a stable investment interest rate platform which is vital to the projection of actuarial pension costs in the future. Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment’s fair value. The Town’s bank deposits are held in noninterest-bearing accounts.

*Credit Risk:* Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The Town’s portfolio is held entirely with public depositories and is invested in SBA funds, as described above.

*Concentration of Credit Risk:* In addition to describing the credit risk of investments in the portfolio, governmental entities will need to disclose the concentration of credit risk with a single issuer, if 5 or more percent of the total assets of the portfolio are invested with one issuer. The Town’s policy limits certain type of investments to no more than 5% of the total portfolio. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from the concentration of credit risk disclosure requirements.

*Custodial Credit Risk:* All demand deposits are held with qualified public depositories, as defined above. In the case of investments, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2021, the Town’s investment of \$455,603 in SBA funds are backed by the full faith and credit of the State of Florida, or explicitly guaranteed by the State of Florida.

***Municipal Police Officers’ Retirement Trust Fund Investment Portfolio***

The Municipal Police Officers’ Retirement Trust Fund has adopted an investment policy which authorizes the pension manager to invest in equities, fixed income investments, money market funds, and pooled funds.

The Plan is subject to using fair value measurement guidelines established by GASB Statement No. 72. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

The following chart shows the Municipal Police Officers’ Retirement Trust Fund investment accounts by investment portfolios and their respective maturities (in years) and fair value measurement levels:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Maturities (in years) Less Than 1</u>	<u>Credit Rating Range (S&amp;P)</u>	<u>Fair Value Hierarchy Classification</u>
Mutual funds – fixed income	\$ 1,401,958	\$ 1,401,958	NR	Level 1
Mutual funds – equity	3,229,761	3,229,761	NR	Level 1
Total Portfolio	<u>\$ 4,631,719</u>	<u>\$ 4,631,719</u>		

**TOWN OF MELBOURNE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

(4) **Deposits and Investments:** (Continued)

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. The established performance objectives of the Pension Plan require investment maturities to provide sufficient liquidity to pay obligations as they become due. At September 30, 2021, all investments were held in cash or other assets that could be liquidated at any time.

*Credit Risk:* Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The Pension Plan utilizes portfolio diversification in order to limit investments to the highest rated securities as rated by nationally recognized rating agencies. All investments are rated within the investment policy guidelines at September 30, 2021.

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Police Officer’s Retirement Trust Fund policy does not allow more than five (5) percent of its assets in the common stock, capital stock, or convertible securities of any one issuing company. At September 30, 2021, the investment portfolios met these limitations.

*Custodial Credit Risk:* Custodial credit risk is the risk that the Town may not recover cash and investments held by another party in the event of financial failure. Custodial credit risk is limited since investments are held in independent custodial safekeeping accounts or mutual funds.

*Foreign Currency Risk:* Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At September 30, 2021, the investment portfolio had no foreign investments.

(5) **Accounts Receivable:**

The Town’s receivables consists of \$89,885 at September 30, 2021, all of which was included in the general fund and governmental activities. There was no allowance for doubtful accounts at September 30, 2021.

In addition to accounts receivable, the Town also recorded \$771,558 in due from other governments at September 30, 2021 of which \$668,735 relates to Federal and State reimbursements related to Hurricanes Matthew and Irma, both of which impacted the Town in fiscal year 2017. These amounts reflect management’s best estimate of recoveries based on costs incurred and approved project worksheets, and are subject to change pending adjustments made by the respective Federal and/or State agencies.

(6) **Interfund Loans, Advances, Fees and Transfers:**

The outstanding balances between funds are short-term loans to cover short-term cash flow needs and expected to be repaid in full over the course of the next fiscal year. Individual fund interfund receivables and payables for the primary government at September 30, 2021, are comprised of the following:

	<b>Due From Other Funds</b>	<b>Due to Other Funds</b>
Governmental Activities:		
Stormwater Fund:		
General Fund	\$ 36,304	\$ -
General Fund:		
Stormwater Fund	-	36,304
Total – All Funds	\$ 36,304	\$ 36,304



**TOWN OF MELBOURNE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

(6) **Interfund Loans, Advances, Fees and Transfers:** (Continued)

For the year ended September 30, 2021, interfund transfers consisted of the following:

	<b>Transfers Out:</b>				
	<b>General Fund</b>	<b>Storm- water</b>	<b>Capital Projects</b>	<b>LE Forfeiture</b>	<b>Total</b>
<b>Transfers In:</b>					
General Fund	\$ -	\$ -	\$ 1,500	\$ -	\$ 1,500
Ocean Park	-	-	1,500	-	1,500
Debt Service	120,300	-	-	-	120,300
Capital Projects	430,415	50,000	-	-	480,415
Police Donations	-	-	-	1,429	1,429
<b>Total</b>	<b>\$ 550,715</b>	<b>\$ 50,000</b>	<b>\$ 3,000</b>	<b>\$ 1,429</b>	<b>\$ 605,144</b>

The transfer from the general fund to the debt service fund represents the requirements for debt service. The transfers from the general fund and the stormwater utility fund to the capital projects fund represent capital expenditures paid for by those respective funds. The transfer from the LE forfeiture fund to the police donations fund was for the closing out of the LE forfeiture fund.

(7) **Capital Assets:**

Capital asset activity for the fiscal year ended September 30, 2021, is as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Governmental activities:				
Capital assets, not being depreciated –				
Land	\$ 897,742	\$ -	\$ -	\$ 897,742
Construction in progress	-	3,138	-	3,138
<b>Total capital assets, not being depreciated</b>	<b>897,742</b>	<b>3,138</b>	<b>-</b>	<b>900,880</b>
Capital assets, being depreciated –				
Buildings and improvements	4,636,936	72,595	-	4,709,531
Equipment	2,251,888	218,244	-	2,470,132
Infrastructure	6,876,976	703,149	-	7,580,125
<b>Total capital assets, being depreciated</b>	<b>13,765,800</b>	<b>993,988</b>	<b>-</b>	<b>14,759,788</b>
Less: accumulated depreciation	(6,027,548)	(556,595)	-	(6,584,143)
<b>Total capital assets, being depreciated, net</b>	<b>7,738,252</b>	<b>437,393</b>	<b>-</b>	<b>8,175,645</b>
Governmental activities capital assets, net	<b>\$ 8,635,994</b>	<b>\$ 440,531</b>	<b>\$ -</b>	<b>\$ 9,076,525</b>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General governmental	\$ 292,440
Public safety	116,383
Physical environment	52,001
Culture and recreation	95,771
<b>Total depreciation expense - governmental activities</b>	<b>\$ 556,595</b>

**TOWN OF MELBOURNE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**(8) Capital Leases:**

The Town has entered into certain lease agreements as a lessee for financing the acquisition of certain vehicles. The lease agreements qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The assets acquired through capital leases are as follows:

Asset:		
Equipment	\$	698,307
Accumulated depreciation		<u>(603,608)</u>
Net book value of leased assets	\$	<u><u>94,699</u></u>

Depreciation expense on these assets for the year ended September 30, 2021 was \$46,726. The future minimum lease obligations and the net present value of these minimum lease payments were as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 31,324	\$ 1,676	\$ 33,000
Total	<u>\$ 31,324</u>	<u>\$ 1,676</u>	<u>\$ 33,000</u>

**(9) Long-Term Debt:**

Notes and bonds payable at September 30, 2021, are comprised of the following obligations:

Series 2017 Florida Municipal Loan Council Revenue Refunding Bonds, dated September 20, 2017, originally issued to partially defease the Florida Municipal Loan Council Revenue Bonds, Series 2005B, due in payments of principal plus interest ranging from 3.00% to 5.00% semiannually on April 1 and October 1 each year until final maturity on October 1, 2029.	\$ 755,000
Series 2009 Stormwater Improvement note payable, dated August 20, 2009, due in payments of principal plus interest at 4.23% semiannually on January 1 and July 1 through July 1, 2028. Repayment of loan balance is secured by a pledge of real property ad valorem tax revenues assessed at 0.9999 mills on all property within the Town.	1,624,000
Total long-term debt, governmental activities	<u><u>\$ 2,379,000</u></u>

Annual debt service requirements to maturity for the Town's notes and bonds payable are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 204,000	\$ 106,245	\$ 310,245
2023	298,000	93,491	391,491
2024	307,000	80,231	387,231
2025	321,000	66,466	387,466
2026	331,000	52,194	383,194
2027-2031	918,000	67,207	985,207
Total	<u><u>\$ 2,379,000</u></u>	<u><u>\$ 465,834</u></u>	<u><u>\$ 2,844,834</u></u>

For the fiscal year ended September 30, 2021, a summary of the long-term liability transactions for the Town is as follows:

**TOWN OF MELBOURNE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

(9) **Long-Term Debt:** (Continued)

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental activities:</b>					
Notes and bonds payable	\$ 2,655,000	\$ -	\$ (276,000)	\$ 2,379,000	\$ 204,000
Less deferred amounts:					
Original issue premium	113,834	-	(13,514)	100,320	-
Original issue (discount)	(26,882)	-	4,808	(22,074)	-
Total notes and bonds payable	<u>2,741,952</u>	<u>-</u>	<u>(284,706)</u>	<u>2,457,246</u>	<u>204,000</u>
Capital leases	75,783	-	(44,459)	31,324	31,324
Compensated absences	244,631	121,297	(94,906)	271,022	135,511
Governmental activities – Total long-term liabilities	<u>\$ 3,062,366</u>	<u>\$ 121,297</u>	<u>\$ (424,071)</u>	<u>\$ 2,759,592</u>	<u>\$ 370,835</u>

(10) **Employees' Retirement Plans:**

**A. Deferred Compensation Plan**

The Town offers employees' participation in an unqualified deferred compensation plan created in accordance with Internal Revenue Code Section 457 to receive employee contributions, which is administered by Nationwide Retirement Solutions, P.O. Box 182797, Columbus, OH, 43218-2797. Annual contributions are limited to the amount allowed by federal tax laws. Employees immediately vest in the elective deferral contributions made to the 457 plan. The Town may also contribute to the plan for participants; these contributions vest at the time such contributions are made to the plan. For the year ended September 30, 2021, employee contributions were \$12,944 and employer contributions were \$10,806 to the 457 plan.

**B. Florida Retirement System**

**Plan Description and Administration**

The Town participates in the Florida Retirement System (FRS), a multiple-employer, cost sharing defined public employee retirement system which covers all of the Town's full-time employees. The System is administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

In addition, all regular employees of the Town are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended September 30, 2021, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

**TOWN OF MELBOURNE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

(10) **Employees' Retirement Plans:** (Continued)

**Benefits Provided and Employees Covered**

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Employees may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

**Financial Statements**

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850) 413-5511; or at the Department's Web site ([www.myfloridacfo.com](http://www.myfloridacfo.com)). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from:

Florida Department of Management Services  
Division of Retirement, Research and Education Services  
P.O. Box 9000  
Tallahassee, FL 32315-9000  
850-488-5706 or toll free at 877-377-1737

**TOWN OF MELBOURNE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

(10) **Employees' Retirement Plans:** (Continued)

**Contributions**

The Town participates in certain classes of FRS membership. Each class has descriptions and contribution rates in effect during the year ended September 30, 2021, as follows (contribution rates are in agreement with the actuarially determined rates):

FRS Membership Plan & Class	Through June 30, 2021	After June 30, 2021
Regular Class	10.00%	10.82%

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll, which are included in the above rates.

For the plan year ended June 30, 2021, actual contributions made for Council employees participating in FRS and HIS were as follows:

Town Contributions – FRS	\$ 28,298
Town Contributions – HIS	6,976
Employee Contributions – FRS	12,607

**Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions**

At September 30, 2021, the Town reported a liability related to FRS and HIS as follows:

Plan	Net Pension Liability
FRS	\$ 56,112
HIS	145,581
Total	\$ 201,693

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2021 and June 30, 2020, the Town's proportionate share of the FRS and HIS net pension liabilities were as follows:

Plan	2021	2020
FRS	0.000742826%	0.000682987%
HIS	0.001186821%	0.001308514%

For the plan year ended June 30, 2021, pension expense was recognized related to the FRS and HIS plans as follows:

FRS	\$ 7,428
HIS	14,185
Total	\$ 21,613

**TOWN OF MELBOURNE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

(10) **Employees' Retirement Plans:** (Continued)

*Deferred outflows/inflows related to pensions:*

At September 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,618	\$ -	\$ 4,872	\$ (61)
Changes of assumptions	38,395	-	11,439	(5,998)
Net difference between projected and actual investment earnings	-	(195,761)	152	-
Change in Town's proportionate share	31,364	(1,367)	16,119	(14,078)
Contributions subsequent to measurement date	8,433	-	1,831	-
	<u>\$ 87,810</u>	<u>\$ (197,128)</u>	<u>\$ 34,413</u>	<u>\$ (20,137)</u>

The above amounts for deferred outflows of resources for contributions related to pensions resulting from Town contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

	FRS	HIS	Total
2022	\$ (18,680)	\$ 4,970	\$ (13,710)
2023	(22,386)	1,105	(21,281)
2024	(32,993)	2,326	(30,667)
2025	(46,307)	3,340	(42,967)
2026	2,615	1,014	3,629
Thereafter	-	(310)	(310)
Total	<u>\$ (117,751)</u>	<u>\$ 12,445</u>	<u>\$ (105,306)</u>

*Actuarial assumptions:*

The actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2019 for the period July 1, 2013, through June 30, 2018. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.40%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 6.80%. This rate did not change from the prior year rate. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 2.16% was used to determine the total pension for the program. This rate decreased from the prior year rate, which was 2.21%. Mortality assumptions for both plans were based on the PUB-2010 base table varies by member category and sex, projected generationally with Scale MP-2018 details.

**TOWN OF MELBOURNE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

(10) **Employees' Retirement Plans:** (Continued)

*Long-term expected rate of return:*

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2021, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Annual Arithmetic Expected Rate of Return</u>
Cash	1.0%	2.1%
Fixed income	20.0%	3.8%
Global equities	54.2%	8.2%
Real estate	10.3%	7.1%
Private equity	10.8%	11.7%
Strategic investments	3.7%	5.7%
Total	<u>100.0%</u>	

*Sensitivity of the net pension liability to changes in the discount rate:*

The following presents the proportionate shares of the FRS and HIS net pension liability of the Town calculated using the current discount rates, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
FRS	6.80%	\$ 250,937	\$ 56,112	\$ (106,740)
HIS	2.16%	168,306	145,581	126,964

**C. Municipal Police Officers' Retirement Trust Fund**

The Town maintains a separate single-employer defined benefit pension plan for Police officers.

**Plan Description and Administration**

All full-time police officers are eligible to participate in the Police Officers' Pension Plan (the Plan). This is a single employer, defined benefit pension plan. Benefit provisions and other requirements of the plan are established by Florida Statutes and Town Ordinance 2012-02. It is accounted for as a retirement trust fund and reported on herein as part of the Town's reporting entity. The plan is administered through its own Board of Trustees. Pension plan data is provided from an actuarial report as of October 1, 2021.

**TOWN OF MELBOURNE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

(10) **Employees' Retirement Plans:** (Continued)

**Benefits Provided and Employees Covered**

The Plan provides retirement, disability and death benefits to plan participants and beneficiaries. No cost of living adjustment is provided to retirees and beneficiaries. The Plan's Board of Trustees has contracted with an actuary to provide an actuarial valuation of each plan as of October 1 of every other year. Current membership in the Plan was composed of the following at October 1, 2021:

Inactive participants	3
Active participants	10
Retired participants	<u>9</u>
Total current membership	<u><u>22</u></u>

Benefits vest after ten years of service. Participants may retire upon attainment of the earlier of, age 55 and completion of ten years of credited service, or age 52 and 20 years of credited service. Retirees are entitled to 3.0% of average monthly earnings times years of credited service. The plan also provides service-incurred disability compensation and early retirement. Early retirement may be taken at age 50 and 10 years of credited service with reduced benefits.

**Financial Statements**

The financial statements of the Plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The government's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Separate financial statements have not been prepared for the Plan.

**Contributions**

The participant contribution rates for the Plan are established by and may be amended by the Town Commission. Employees covered under the plan are required to make contributions of 5% of their compensation. The Town's annual required contribution for the current year was determined as part of the October 1, 2021 actuarial valuations. The Town is required under the Florida Protection of Public Employee Retirement Benefits Act to contribute a payment which represents annual normal cost plus amortization of the unfunded actuarial accrued liability over various periods as prescribed by law. The Town's contributions (and if applicable, any liquidations of a net pension obligation) to the Plan are funded by the General Fund.

The State of Florida also makes contributions to the Plan in accordance with Chapter 185 of the Florida Statutes as amended by the State Legislature. This contribution by the State of Florida is first recognized as revenue in the General Fund before being transferred to the Pension Fund. The Town's actual annual contribution for the plan is determined by subtracting estimated employee contributions and actual State of Florida contributions from the total annual required contribution as determined by the actuary.

Contributions to the Plan for the year ended September 30, 2021, were as follows:

Employee contributions	\$ 28,185
Town contributions	252,549
State contributions	<u>42,470</u>
Total contributions	<u><u>\$ 323,204</u></u>

**Investment Policy**

See Note (4) for additional discussion of the investment policies for the Plan.



**TOWN OF MELBOURNE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

(10) **Employees' Retirement Plans:** (Continued)

**Net Pension Liability**

At September 30, 2021, the components of the net pension liability for the Plan were as follows:

Total pension liability	\$ 4,932,747
Plan fiduciary net position	(4,693,790)
Net pension liability	\$ 238,957
 Plan fiduciary net position as percentage of total pension liability	95.16%

The total pension liability was determined by an actuarial valuation as of October 1, 2021, with a measurement date of September 30, 2021, using the following actuarial assumptions to all measurement periods.

Inflation	2.50%
Salary increases	Service based
Discount rate	6.90%
Investment rate of return	6.90%

**Mortality rate:**

*Mortality Rate Healthy Active Lives:*

Female: PubS.H-2010 for Employees, set forward one year.

Male: PubS.H-2010 (Below Median) for Employees, set forward one year.

*Mortality Rate Healthy Retiree Lives:*

Female: PubS.H-2010 for Healthy Retirees, set forward one year.

Male: PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year.

*Mortality Rate Beneficiary Lives:*

Female: PubG.H-2010 (Below Median) for Healthy Retirees.

Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.

*Mortality Rate Disabled Lives:*

80% PubG.H-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees.

All rates are projected generationally with mortality Improvements Scale MP-2018. The above described mortality assumption rates were mandated by Chapter 2015-157, Laws of Florida. The above rates are those outlined in Milliman's July 1, 2019 FRS valuation report for special risk employees, with appropriate adjustments made based on plan demographics.

The most recent actuarial experience study used to review the other significant assumptions was dated October 9, 2017.

**TOWN OF MELBOURNE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

(10) **Employees' Retirement Plans:** (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of September 30, 2021, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Arithmetic Expected Rate of Return</b>
Domestic Equity	55%	7.50%
International Equity	10%	8.50%
Broad Market Fixed Income	30%	2.50%
GTAA	5%	3.50%
Total	100%	

*Discount rate:*

The discount rate used to measure the total pension liability for the pension plan was 6.90%. The projection of cash flows used to determine the discount rate assumed the plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**TOWN OF MELBOURNE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

(10) **Employees' Retirement Plans:** (Continued)

*Changes in net pension liability:*

Changes in the plan's net pension liability were as follows:

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a – b)</b>
Beginning Balance	\$ 4,684,144	\$ 3,768,123	\$ 916,021
Changes for year:			
Service cost	145,752	-	145,752
Interest	340,372	-	340,372
Differences between expected/actual experience	(143,105)	-	(143,105)
Change in assumptions	175,817	-	175,817
Contributions – employer	-	252,549	(252,549)
Contributions – state	-	42,470	(42,470)
Contributions – employee	-	28,185	(28,185)
Net investment income	-	891,384	(891,384)
Benefit payments, including refunds	(270,233)	(270,233)	-
Administrative expenses	-	(18,688)	18,688
Net changes	<u>248,603</u>	<u>925,667</u>	<u>(677,064)</u>
Ending Balance	<u>\$ 4,932,747</u>	<u>\$ 4,693,790</u>	<u>\$ 238,957</u>

*Sensitivity of the net pension liability to changes in the discount rate:*

The following presents the net pension liability (asset) of the Town calculated using the discount rate of 6.90%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1% lower (5.90%) or 1% higher (7.90%) than the current rate:

<b>Town's Net Pension Liability (Asset)</b>	<b>1% Decrease 5.90%</b>	<b>Current Discount Rate 6.90%</b>	<b>1% Increase 7.90%</b>
Municipal Police Officers' Retirement Trust Fund	\$ 805,584	\$ 238,957	\$ (236,667)

*Money-weighted rate of return:*

For the year ended September 30, 2021, the annual money-weighted rate of return on Plan investments, net of pension plan investment expense was as follows:

Annual money-weighted rate of return                      23.65%

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions**

For the year ended September 30, 2021, the Town recognized pension expense of \$162,036 in the Plan.

At September 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**TOWN OF MELBOURNE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

(10) **Employees' Retirement Plans:** (Continued)

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 126,939	\$ (209,212)
Changes of assumptions	195,141	(21,996)
Net difference between projected and actual investment earnings	-	(417,036)
	<b>\$ 322,080</b>	<b>\$ (648,244)</b>

Amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

2022	\$ (18,444)
2023	(56,166)
2024	(138,852)
2025	(112,702)
2026	-
Total	<b>\$ (326,164)</b>

(11) **Other Post-Employment Benefits (OPEB):**

**Plan Description**—Effective October 1, 2019, the Town implemented GASB Statement No. 75, *Accounting and Reporting for Post-Employment Benefits Other Than Pensions*, for certain post-employment healthcare benefits provided by the Town. The Town elected to implement the requirements of this statement prospectively. No assets are held in trust for payment of the OPEB liability as the Town had no OPEB liability other than as arising from the implicit rate subsidy, as discussed in the following paragraph.

Retirees and their dependents are permitted to remain covered under the Town's respective health care plans as long as they pay a full premium applicable to the coverage elected. This conforms to the minimum required of Florida governmental employers per Chapter 112.08, Florida Statutes. The Other Post-Employment Benefit Plan does not issue a stand-alone report

**Benefits Provided**—The Other Post Employment Benefit Plan is a single-employer benefit plan administered by the Town. Retirees are charged whatever the insurance company charges for the type of coverage elected, however, the premiums charged by the insurance company are based on a blending of the experience among younger active employees and older retired employees. The older retirees actually have a higher cost which means the Town is actually subsidizing the cost of the retiree coverage because it pays all or a significant portion of the premium on behalf of the active employee. GASB No. 75 calls this the "implicit rate subsidy."

**Plan Membership**—At October 1, 2019, the date of the latest actuarial valuation, plan participation consisted of the following:

Active Employees	18
Inactive Employees	-
	<b>18</b>

**TOWN OF MELBOURNE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

(11) **Other Post-Employment Benefits (OPEB):** (Continued)

**Total OPEB Liability**—The Town’s total OPEB liability of \$45,311 was measured as of September 30, 2021, and was determined by an actuarial valuation as of that date utilizing the Alternative Measurement Method for small plans.

**Actuarial Assumptions and Other Inputs**—The total OPEB liability in the September 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

Salary increases	3.00%
Discount rate	2.43%
Healthcare cost trend rate	6.50%
Age-related morbidity rate	3.50%

The Town does not have a dedicated Trust to pay retiree healthcare benefits. The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index as of September 30, 2021.

Mortality rates were based on the sex-distinct rates set forth in the PUB-2010 Mortality Table (without income adjustments) for general employees, with full generational improvements in mortality using Scale MP-2017.

For the fiscal year ended September 30, 2021, changes in the OPEB liability were as follows:

	<b>Total OPEB Liability</b>
Balance at September 30, 2020	\$ 40,602
Changes for a year:	
Service cost	5,108
Interest	1,110
Changes of assumptions	(1,463)
Benefit payments – implicit rate subsidy	(46)
Net changes	4,709
Balance at September 30, 2021	\$ 45,311

*Sensitivity of the total OPEB liability to changes in the discount rate:*

The following presents the total OPEB liability of the Town calculated using the discount rate of 2.43%, as well as what the Town’s total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.43%) or 1% higher (3.43%) than the current rate:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
Total OPEB Liability	\$ 51,162	\$ 45,311	\$ 40,237

**TOWN OF MELBOURNE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

(11) **Other Post-Employment Benefits (OPEB):** (Continued)

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate:*

The following presents the total OPEB liability of the Town as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates (7.00% graded down to 5.00%):

	<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 38,009	\$ 45,311	\$ 54,371

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources**

At September 30, 2021, the Town reported no deferred outflows of resources and no deferred inflows of resources related to OPEB as under the Alternative Measurement Method, changes in the Total OPEB Liability are not permitted to be included in deferred outflows of resources or deferred inflows of resources related to OPEB. These changes will be immediately recognized through OPEB Expense.

Service cost	\$ 5,108
Interest	1,110
Demographic gain/loss	(346)
Changes of assumptions	627
Benefit payments – implicit rate subsidy	(46)
Total OPEB Expense	\$ 6,453

(12) **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 for which the Town carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in coverage from the prior year.

The Town is engaged in routine litigation incidental to the conduct of its municipal affairs. In the opinion of the Town's legal counsel, no legal proceedings are pending which would have a material adverse effect on the financial position or results of operations of the Town.

(13) **Commitments and Contingencies:**

The Town is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2021. The outcomes of established claims are included in these financial statements. In the opinion of the Town's legal counsel, no legal proceedings are pending or threatened against the Town which are not covered by applicable insurance which would inhibit its ability to perform its operations or materially affect its financial condition.

**TOWN OF MELBOURNE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**(14) Recent Accounting Pronouncements:**

The Governmental Accounting Standards Board (“GASB”) has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for subsequent fiscal years that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the Authority’s financial statements:

(a) GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in GASB 87 are effective for periods beginning after June 15, 2021.

(b) GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, in May 2020. provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The provisions of GASB 96 are effective for periods beginning after June 15, 2022.

**(15) Uncertainty:**

During the year ended September 30, 2021, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the Town as of April 28, 2022, management believes that an impact on the Town's financial position and results of future operations is reasonably possible.

**TOWN OF MELBOURNE BEACH, FLORIDA**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY**  
**AND RELATED RATIOS**  
**LAST 10 FISCAL YEARS**  
**(UNAUDITED)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	\$ 5,108	\$ 5,385	\$ 3,621	\$ 3,584
Interest	1,110	750	1,020	875
Demographic gain/loss	-	(4,241)	-	-
Changes of assumptions	(1,463)	9,070	183	-
Benefit payments - implicit rate subsidy	(46)	(18)	(56)	(25)
Net change in total OPEB liability	<u>4,709</u>	<u>10,946</u>	<u>4,768</u>	<u>4,434</u>
Total OPEB liability - beginning of year	<u>40,602</u>	<u>29,656</u>	<u>24,888</u>	<u>20,454</u>
Total OPEB liability - end of year	<u>\$ 45,311</u>	<u>\$ 40,602</u>	<u>\$ 29,656</u>	<u>\$ 24,888</u>

**Notes to Schedule**

Valuation date: 10/1/2019 10/1/2019 10/1/2018 10/1/2017

Changes of assumptions. Changes of assumptions and other changes reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2.43% 2.14% 3.58% 3.64%

Note 1: GASB 75 requires information for 10 years. However, until a full 10-year trend is compiled, information is presented for only those years for which information is available.



**TOWN OF MELBOURNE BEACH, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND  
SEPTEMBER 30, 2021**

For the year ended September 30,	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability:</b>								
Service cost	\$ 145,752	\$ 146,094	\$ 139,118	\$ 142,520	\$ 92,471	\$ 90,773	\$ 95,129	\$ 92,542
Interest	340,372	334,765	333,851	305,755	287,077	274,273	266,454	257,604
Differences between expected and actual experience	(143,105)	57,872	(189,455)	228,539	73,071	(80,473)	(3,954)	-
Changes of assumptions	175,817	(32,993)	-	69,128	188,677	138,126	-	-
Benefit payments, including refunds of employee contributions	(270,233)	(278,077)	(278,532)	(297,428)	(268,593)	(260,105)	(250,963)	(233,262)
Net change in total pension liability	248,603	227,661	4,982	448,514	372,703	162,594	106,666	116,884
Total pension liability - beginning of year	4,684,144	4,456,483	4,451,501	4,002,987	3,630,284	3,467,690	3,361,024	3,244,140
Total pension liability - ending of year (a)	<u>\$ 4,932,747</u>	<u>\$ 4,684,144</u>	<u>\$ 4,456,483</u>	<u>\$ 4,451,501</u>	<u>\$ 4,002,987</u>	<u>\$ 3,630,284</u>	<u>\$ 3,467,690</u>	<u>\$ 3,361,024</u>
<b>Total Fiduciary Net Position:</b>								
Contributions - employer	\$ 252,549	\$ 295,935	\$ 262,309	\$ 196,123	\$ 223,500	\$ 186,596	\$ 222,353	\$ 200,907
Contributions - state	42,470	42,206	40,536	78,809	36,787	32,271	-	32,044
Contributions - employee	28,185	29,060	28,033	28,500	28,084	23,298	22,464	21,403
Net investment income	891,384	235,105	86,314	265,306	329,348	221,491	(22,583)	255,971
Benefit payments, including refunds of employee contributions	(270,233)	(278,077)	(278,532)	(297,428)	(268,593)	(260,105)	(250,963)	(233,262)
Administrative expense	(18,688)	(15,989)	(16,914)	(24,645)	(14,945)	(16,803)	(23,280)	(8,111)
Net change in plan fiduciary net position	925,667	308,240	121,746	246,665	334,181	186,748	(52,009)	268,952
Plan fiduciary net position - beginning of year	3,768,123	3,459,883	3,338,137	3,091,472	2,757,291	2,570,543	2,622,552	2,353,600
Plan fiduciary net position - end of year (b)	<u>\$ 4,693,790</u>	<u>\$ 3,768,123</u>	<u>\$ 3,459,883</u>	<u>\$ 3,338,137</u>	<u>\$ 3,091,472</u>	<u>\$ 2,757,291</u>	<u>\$ 2,570,543</u>	<u>\$ 2,622,552</u>
Net pension liability - end of year (a) - (b)	<u>\$ 238,957</u>	<u>\$ 916,021</u>	<u>\$ 996,600</u>	<u>\$ 1,113,364</u>	<u>\$ 911,515</u>	<u>\$ 872,993</u>	<u>\$ 897,147</u>	<u>\$ 738,472</u>
Plan fiduciary net position as a percentage of the total pension liability	95.16%	80.44%	77.64%	74.99%	77.23%	75.95%	74.13%	78.03%
Covered payroll	\$ 563,692	\$ 581,196	\$ 560,662	\$ 569,999	\$ 561,681	\$ 465,956	\$ 467,561	\$ 428,060
Net pension liability as a percentage of covered payroll	42.39%	157.61%	177.75%	195.33%	162.28%	187.36%	191.88%	172.52%

\* 10 years of data will be presented as it becomes available

**TOWN OF MELBOURNE BEACH, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND  
SEPTEMBER 30, 2021**

	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 276,434	\$ 333,839	\$ 296,534	\$ 274,568	\$ 259,272	\$ 218,394	\$ 222,353	\$ 232,950
Contributions in relation to the actuarially determined contributions	295,019	338,141	302,845	274,932	260,287	218,867	222,353	232,950
Contribution deficiency (excess)	<u>\$ (18,585)</u>	<u>\$ (4,302)</u>	<u>\$ (6,311)</u>	<u>\$ (364)</u>	<u>\$ (1,015)</u>	<u>\$ (473)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 563,692	\$ 581,196	\$ 560,662	\$ 569,999	\$ 561,681	\$ 465,956	\$ 467,561	\$ 428,060
Contributions as a percentage of covered payroll	52.34%	58.18%	54.02%	48.23%	46.34%	46.97%	47.56%	54.42%

**Notes to Schedule:**

Valuation Date: 10/1/2019

**Methods and assumptions used to determine contribution rates:**

Mortality:	Healthy Active Lives: Female: PubS.H-2010 for Employees, set forward one year. Male: PubS.H-2010 (Below Median) for Employees, set forward one year. Healthy Inactive Lives: Female: PubS.H-2010 for Healthy Retirees, set forward one year. Male: PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year. Beneficiary Lives: Female: PubG.H-2010 (Below Median) for Healthy Retirees. Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year. Disabled Lives: PubG.H-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees. All rates are projected generationally with Mortality Improvement Scale MP-2018. We feel this assumption sufficiently accomodates future mortality improvements.
Interest Rate:	6.90% (prior year 7.25%) per year compounded annually, net of investment related expenses. This assumption is supported by the target asset allocation of the trust and the expected long-term return by asset class.
Retirement Age:	100% assumed retirement at the earlier of: 1) age 55 and 10 years of credited service, or 2) age 52 and 20 years of credited service, regardless of age. This assumption is supported by the October 9, 2017 experience study.
Early Retirement:	Members are not assumed to take early retirement, based on results of the experience study dated October 9, 2017.
Disability Rates:	It is assumed that 75% of disabilities are service-related. This assumption is based on results of the experience study dated October 9, 2017.
Termination Rates:	18.0% per year for the first three years of Credited Service, and 6.5% per year for the fourth and fifth years of Credited Service; no turnover is expected after the fifth year. This assumption is based on results of the October 9, 2017 experience study.
Salary Increases:	8.5% per year for less than two years of Credited Service, followed by 4.5% per year for two or more years of Credited Service. In addition, the projected salary at retirement is increased 15% to account for lump sum payments. This assumption is based on results of the October 9, 2017 experience study.
Payroll Growth:	None for amortization of the Unfunded Actuarial Accrued Liability. This is in compliance with Part VII of Chapter 112, Florida Statutes.
Cost of Living:	N/A
Amortization Method:	New UAAL amortization bases are amortized over the following amortization periods: Experience: 10 Years. Assumption/Method Changes: 20 Years. Benefit Changes: 30 Years.
Funding Method:	Entry Age Normal Actuarial Cost Method.
Asset Valuation Method:	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric four-year average Market Value return (net of fees). It is possible that over time this technique will produce an insignificant bias above or below Market Value of Assets.
Termination and Disability Rate Tables:	

Age	% Becoming Disabled During the Year	Service	% Terminating During the Year
25	0.23%	0-3	18.00%
30	0.27%	4-5	6.50%
35	0.35%	6+	0.00%
40	0.45%		
45	0.77%		
50	1.50%		
55	2.33%		
60	3.14%		

\*10 years of data will be presented as it becomes available.

**TOWN OF MELBOURNE BEACH, FLORIDA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULES OF INVESTMENT RETURNS  
 MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND  
 SEPTEMBER 30, 2021**

<u>For the Year Ended September 30,</u>	<u>Annual Money-Weighted Rate of Return</u>
2021	23.65%
2020	6.78%
2019	2.59%
2018	8.59%
2017	11.96%
2016	8.64%
2015	-0.87%
2014	10.99%

\*10 years of data will be presented as it becomes available.

**TOWN OF MELBOURNE BEACH, FLORIDA**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**LAST 10 FISCAL YEARS**  
**(UNAUDITED)**

	<b>As of the Plan Year Ended June 30,</b>							
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Florida Retirement System (FRS)</b>								
Proportion of the net pension liability	0.000742826%	0.000682987%	0.000652773%	0.000593693%	0.000525938%	0.000564726%	0.000570663%	0.000546111%
Proportionate share of the net pension liability	\$ 56,112	\$ 296,017	\$ 224,806	\$ 178,823	\$ 155,569	\$ 142,594	\$ 73,709	\$ 33,581
Covered payroll	420,250	454,238	419,289	359,702	358,623	352,113	362,777	245,833
Proportionate share of the net pension liability as a percentage of covered payroll	13.35%	65.17%	53.62%	49.71%	43.38%	40.50%	20.32%	13.66%
Plan fiduciary net position as a percentage of the total pension liability	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%
<b>Health Insurance Subsidy Program (HIS)</b>								
Proportion of the net pension liability	0.001186821%	0.001308514%	0.001253435%	0.001101056%	0.001122682%	0.001179170%	0.001038277%	0.000861064%
Proportionate share of the net pension liability	\$ 145,581	\$ 159,767	\$ 140,247	\$ 116,537	\$ 120,042	\$ 137,427	\$ 105,888	\$ 80,512
Covered payroll	420,250	454,238	419,289	359,702	358,623	352,113	362,777	245,833
Proportionate share of the net pension liability as a percentage of covered payroll	34.64%	35.17%	33.45%	32.40%	33.47%	39.03%	29.19%	32.75%
Plan fiduciary net position as a percentage of the total pension liability	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, information is presented for only those years for which information is available.

**TOWN OF MELBOURNE BEACH, FLORIDA**  
**SCHEDULE OF CONTRIBUTIONS**  
**LAST 10 FISCAL YEARS**  
**(UNAUDITED)**

	For the Fiscal Year Ended September 30,							
	2021	2020	2019	2018	2017	2016	2015	2014
<b>Florida Retirement System (FRS)</b>								
Contractually required contribution	\$ 29,941	\$ 22,693	\$ 20,241	\$ 16,920	\$ 13,691	\$ 13,772	\$ 13,913	\$ 11,962
Contributions in relation to the contractually required contribution	29,941	22,693	20,241	16,920	13,691	13,772	13,913	11,962
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 429,437	\$ 454,238	\$ 419,289	\$ 358,623	\$ 358,623	\$ 352,113	\$ 362,777	\$ 245,833
Contributions as a percentage of covered payroll	6.97%	5.00%	4.83%	4.72%	3.82%	3.91%	3.84%	4.87%
<b>Health Insurance Subsidy Program (HIS)</b>								
Contractually required contribution	\$ 7,129	\$ 7,540	\$ 6,960	\$ 5,971	\$ 5,942	\$ 6,044	\$ 3,969	\$ 2,950
Contributions in relation to the contractually required contribution	7,129	7,540	6,960	5,971	5,942	6,044	3,969	2,950
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 429,437	\$ 454,238	\$ 419,289	\$ 358,623	\$ 358,623	\$ 352,113	\$ 362,777	\$ 245,833
Contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.66%	1.66%	1.72%	1.09%	1.20%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, information is presented for only those years for which information is available.

**TOWN OF MELBOURNE BEACH, FLORIDA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2021**

	<u>Police Education</u>	<u>Building Education</u>	<u>Stormwater Utility</u>	<u>Ocean State Park</u>	<u>Old Town Hall</u>	<u>Law Enforcement Forfeiture</u>	<u>Police Donations</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>								
Equity in pooled cash and cash equivalents	\$ 10,950	\$ 2,136	\$ -	\$ 12,277	\$ 22,091	\$ -	\$ 9,307	\$ 56,761
Due from other governments	-	-	695	-	-	-	-	695
<b>Total assets</b>	<u>\$ 10,950</u>	<u>\$ 2,136</u>	<u>\$ 695</u>	<u>\$ 12,277</u>	<u>\$ 22,091</u>	<u>\$ -</u>	<u>\$ 9,307</u>	<u>\$ 57,456</u>
<b>LIABILITIES</b>								
Accounts payable	\$ -	\$ -	\$ 3,405	\$ 262	\$ -	\$ -	\$ -	\$ 3,667
Due to other funds	-	-	36,304	-	-	-	-	36,304
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>39,709</u>	<u>262</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,971</u>
<b>FUND BALANCES</b>								
Restricted for:								
Ocean State Park	-	-	-	12,015	-	-	-	12,015
Law enforcement education	10,950	-	-	-	-	-	9,307	20,257
Building department education	-	2,136	-	-	-	-	-	2,136
Old Town Hall	-	-	-	-	22,091	-	-	22,091
Unassigned	-	-	(39,014)	-	-	-	-	(39,014)
<b>Total fund balances</b>	<u>10,950</u>	<u>2,136</u>	<u>(39,014)</u>	<u>12,015</u>	<u>22,091</u>	<u>-</u>	<u>9,307</u>	<u>17,485</u>
<b>Total liabilities and fund balances</b>	<u>\$ 10,950</u>	<u>\$ 2,136</u>	<u>\$ 695</u>	<u>\$ 12,277</u>	<u>\$ 22,091</u>	<u>\$ -</u>	<u>\$ 9,307</u>	<u>\$ 57,456</u>

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

**TOWN OF MELBOURNE BEACH, FLORIDA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Police Education	Building Education	Stormwater Utility	Ocean State Park	Old Town Hall	Law Enforcement Forfeiture	Police Donations	Total Nonmajor Governmental Funds
<b>Revenues</b>								
Licenses and permits	\$ -	\$ 520	\$ 2,496	\$ -	\$ -	\$ -	\$ -	\$ 3,016
Charges for services	-	-	54,824	77,756	400	-	-	132,980
Fines and forfeitures	569	-	-	-	-	-	-	569
Miscellaneous	-	-	-	-	382	-	3,440	3,822
<b>Total revenues</b>	<u>569</u>	<u>520</u>	<u>57,320</u>	<u>77,756</u>	<u>782</u>	<u>-</u>	<u>3,440</u>	<u>140,387</u>
<b>Expenditures</b>								
Current:								
Public safety	-	-	-	-	-	-	388	388
Parks and recreation	-	-	-	56,424	187	-	-	56,611
Physical environment	-	-	82,852	-	-	-	-	82,852
Capital outlay	-	-	-	10,817	-	-	-	10,817
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>82,852</u>	<u>67,241</u>	<u>187</u>	<u>-</u>	<u>388</u>	<u>150,668</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>569</u>	<u>520</u>	<u>(25,532)</u>	<u>10,515</u>	<u>595</u>	<u>-</u>	<u>3,052</u>	<u>(10,281)</u>
<b>Other financing sources (uses)</b>								
Transfers in	-	-	-	1,500	-	-	1,429	2,929
Transfers out	-	-	(50,000)	-	-	(1,429)	-	(51,429)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>1,500</u>	<u>-</u>	<u>(1,429)</u>	<u>1,429</u>	<u>(48,500)</u>
<b>Net change in fund balances</b>	<u>569</u>	<u>520</u>	<u>(75,532)</u>	<u>12,015</u>	<u>595</u>	<u>(1,429)</u>	<u>4,481</u>	<u>(58,781)</u>
<b>Fund balances, beginning of year</b>	10,381	1,616	36,518	-	21,496	1,429	4,826	76,266
<b>Fund balances, end of year</b>	<u>\$ 10,950</u>	<u>\$ 2,136</u>	<u>\$ (39,014)</u>	<u>\$ 12,015</u>	<u>\$ 22,091</u>	<u>\$ -</u>	<u>\$ 9,307</u>	<u>\$ 17,485</u>

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

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor, Town Commission, and Town Manager,  
Town of Melbourne Beach, Florida:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Melbourne Beach, Florida, (the Town) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated April 28, 2022.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify certain deficiencies in internal control that we consider to be significant deficiencies, as described in the following paragraphs.

**2021-001 – Reconciliation of Account Balances and Accruals**

Various audit adjustments were required to correct account balances due to cutoff issues related to cash, accounts payable, and accrued payroll. The Town's controls should include periodic reconciliations of significant account balances, including full accrual-based reconciliations at fiscal-year end to ensure all amounts have been appropriately recorded and budgeted for. We recommend the Town increase its review of such transactions, including a review for proper cutoff at the fiscal year-end, to help ensure completeness and accuracy of all financial reporting.



## **2021-002 – Timeliness of Bank Reconciliations**

Bank accounts should be reconciled on a timely and regular basis to help prevent misappropriation and ensure the proper recording of all cash transactions. We noted the Town's bank accounts were not reconciled on a timely basis, most notably related to the September 2021 reconciliations. Additionally, audit adjustments were required during the audit to agree the accounting records to the amount listed on the bank reconciliation. As the risk of not performing bank reconciliations in a timely manner is such that assets could potentially be misappropriated or accounting records could be misstated, with such issues not being identified on a timely basis, if at all, we recommend the Town's finance department perform bank reconciliations within 30 days after the end of the month and ensure all reconciled balances per the bank reconciliations agree to the general ledger.

### ***Compliance and Other Matters***

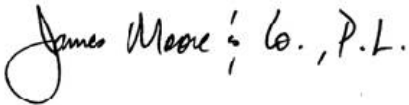
As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Management's Response to Findings**

The Town's responses to the findings identified in our audit are described starting on page 59. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Daytona Beach, Florida  
April 28, 2022



**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED  
BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA  
OFFICE OF THE AUDITOR GENERAL**

To the Honorable Mayor, Town Commission, and Town Manager,  
Town of Melbourne Beach, Florida:

**Report on the Financial Statements**

We have audited the financial statements of the Town of Melbourne Beach, Florida, as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated April 28, 2022.

**Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

**Other Reporting Requirements**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards; and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated April 28, 2022, 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 we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Prior year comments 2020-001 and 2020-002 remain uncorrected from the second preceding audit report. The following is a summary of all findings and recommendations reported in our preceding annual financial audit report:

**2020-001 Reconciliation of Account Balances and Accruals** – Corrective action not taken. See repeat comment 2021-001.

**2020-002 Timeliness of Bank Reconciliations** – Corrective action not taken. See repeat comment 2021-002.

**2020-003 Budgetary Compliance** – Corrective action taken.

**Official Title and Legal Authority**

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority for the primary government of the reporting entity is disclosed in Note 1 of the basic financial statements.

## **Financial Condition and Management**

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Town has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Town did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Town's financial condition, and our 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 we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

## **Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are 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 our audit, we did not have any such findings.

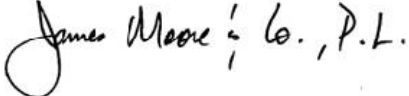
## **Management's Response to Findings**

The Town's responses to the findings identified in our audit are described starting on page 59. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Letter**

Our 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, Federal and State granting agencies, the Town Commission, management, and others within the Town and is not intended to be and should not be used by anyone other than these specified parties.

Daytona Beach, Florida  
April 28, 2022





**INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT**

To the Honorable Mayor, Town Commission, and Town Manager,  
Town of Melbourne Beach, Florida

We have examined the Town of Melbourne Beach, Florida's (the Town) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2021. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town complied with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2021, in all material respects. 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 our judgment, including an assessment of risks of material noncompliance with those requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Town of Melbourne Beach, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2021.

A handwritten signature in black ink that reads "James Moore &amp; Co., P.L." with a stylized circular flourish at the beginning.

Daytona Beach, Florida  
April 28, 2022



## Town of Melbourne Beach

Brevard County's Oldest Beach Community \* Established 1883

April 28, 2022

### MANAGEMENT'S RESPONSE TO FINDINGS

**2021-001 Reconciliation of Account Balances:** The Town considered prior year's findings to have been corrected. This finding requires the Town to provide greater education and training to new employees and will provide continuing education for employees regarding account accruals and the importance of understanding which General Ledger account items should be posted to, and the impact of journal adjustments due to reclassification. The Town will increase its review system to monitor the timely recording of accruals, reversals, journal postings, and adjustments. The Town will review for proper cutoff at the fiscal year-end to help ensure completeness and accuracy of all financial reporting.

**2021-002 Timeliness of Bank Reconciliations:** The Town's Finance Department will perform bank reconciliation within 30 days after the end of the month and ensure all reconciled balances per the bank reconciliations agree to the general ledger.

Elizabeth Mascaro  
Town Manager