

TOWN OF MELBOURNE VILLAGE, FLORIDA

Annual Financial Report

September 30, 2021

**TOWN OF MELBOURNE VILLAGE, FLORIDA
TOWN OFFICIALS
AT SEPTEMBER 30, 2021**

Mayor:

Tabitha Niemann

Vice-Mayor:

Valerie Calenda

Commissioners:

Gary Ingram
David Jones
Fred Anderson
Gerda Murphy
Peter McCharles

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Melbourne Village, Florida (the "Town"), as of and for the year ended September 30, 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

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town'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 Town's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Melbourne Village, Florida, as of September 30, 2021, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund, Stormwater Utility Fund and Investment Fund A, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters - Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated June 26, 2022 on my consideration of the Town's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, listed in the table of contents as Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Crawford CPA, Inc.

Titusville, Florida
June 26, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Melbourne Village, we offer readers of the Town of Melbourne Village's financial statements this narrative overview and analysis of the financial activities of the Town of Melbourne Village for the year ended September 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follows this section.

Financial Highlights

- The Town's total net position decreased by \$29,614 over last year.
- Property taxes account for \$492,125 or approximately 57.1 percent of all revenues. This figure was up \$30,572 from last year.
- Other taxes, primarily utility taxes and franchise payments, account for approximately \$198,338 or 23.0 percent of all revenues. This figure was up \$6,043 from the prior year.
- The Town had \$891,767 in expenses related to governmental activities. Total revenues were \$862,153 leaving a decrease in net position of \$29,614.
- The Town's assets exceeded its liabilities at September 30, 2021 by \$2,069,318. Of this amount, \$696,333 is invested in the Town's capital assets, \$10,040 is restricted for specific purposes, and \$1,362,945 is unrestricted and subject to the Town's discretion. These amounts were decreased from the prior year by \$21,228 for capital assets, and by \$8,641 for unrestricted assets and increased by \$255 for restricted assets.
- The difference between the unrestricted balance of \$1,362,945 on a full accrual basis and the Governmental Funds total fund balances of \$1,365,105 is due to the Town's accrued compensated absences of \$17,185 and the restricted amount of \$10,040, offset by the grant revenue still not received more than 60 days after year-end of \$25,065. The total fund balance of the Governmental Funds consists of non-spendable, restricted, committed and assigned amounts. The Town's committed funds consists of \$1,313,176 in the Town's stabilization fund (Investment Fund A) and \$18,139 in the Stormwater Utility Fund. Non-spendable funds consist of \$1,161 for prepaid items and restricted funds consist of \$10,040. Assigned funds of \$22,589 received from rental fees were set aside for the Community House. In the prior year, assigned funds of \$165,747 were reclassified to unassigned in accordance with GASB 54. The reclassified assigned funds had included \$109,587 set aside for future road needs (re-pavement and maintenance), \$6,081 received from code enforcement action and set aside for tree related expenses, \$50,000 set aside for stormwater planning, \$79 for a historical restoration project, and \$37,494 received from rental fees and set aside for the Community House. In the current year, \$22,589 of assigned funds were reinstated for the Community House.

Overview of the Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The Town maintained three individual governmental funds as of October 1, 2020. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the (1) General Fund, (2) Stormwater Utility Fund, and (3) Investment Fund A, because they are considered major funds. The Town has no debt-service fund as there is no long-term debt outstanding.

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and fund financial statements.

Government-wide Financial Analysis

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

Table 1 provides a summary of the Town's net position at September 30, 2021, and changes from the prior year.

Table 1
Summary Statement of Net Position

	Governmental Activities		
	2021	2020	Change
Current and other assets	\$1,598,476	\$1,647,204	\$ (48,728)
Capital assets, net	696,333	717,561	(21,228)
Total assets	2,294,809	2,364,765	(69,956)
Long-term liabilities	17,185	18,146	(961)
Other liabilities	208,014	246,295	(38,281)
Total liabilities	225,199	264,441	(39,242)
Deferred inflows of resources	292	1,392	(1,100)
Net position:			
Net investment in capital assets	696,333	717,561	(21,228)
Restricted	10,040	9,785	255
Unrestricted	1,362,945	1,371,586	(8,641)
Total net position	\$2,069,318	\$2,098,932	\$ (29,614)

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

Table 2
Changes in Net Position

	Governmental Activities		
	2021	2020	Change
Revenues			
Program revenues:			
Charges for services	\$ 131,984	\$ 127,658	\$ 4,326
Operating grants/contributions	8,199	25,210	(17,011)
Capital grants/contributions	3,647	89,635	(85,988)
General revenues:			
Property taxes	492,125	461,553	30,572
Sales taxes	43,582	38,983	4,599
Local option motor fuel taxes	17,854	17,575	279
Utility taxes and franchise fees	136,902	135,737	1,165
Intergovernmental revenues	21,976	18,657	3,319
Investment revenue	2,480	40,019	(37,539)
Miscellaneous revenue	3,404	1,487	1,917
Total revenues	<u>862,153</u>	<u>956,514</u>	<u>(94,361)</u>
Expenses			
General government	238,071	201,315	36,756
Public safety	433,823	401,534	32,289
Physical environment	215,165	200,598	14,567
Unallocated depreciation	4,708	4,008	700
Total expenses	<u>891,767</u>	<u>807,455</u>	<u>84,312</u>
Change in net position	(29,614)	149,059	(178,673)
Net position, beginning	<u>2,098,932</u>	<u>1,949,873</u>	<u>149,059</u>
Net position, ending	<u><u>\$2,069,318</u></u>	<u><u>\$ 2,098,932</u></u>	<u><u>\$ (29,614)</u></u>

- The primary source of operating revenue for the Town comes from taxes, including property taxes and utility taxes.
- The cost of all governmental activities this year was \$891,767.
- Operating Grants and donations provided \$8,199, Capital Grants and donations provided \$3,647, and user fees and charges for services generated \$131,984.
- Most of the Town's costs were, however, financed by Town and State taxpayers.
- The difference in revenues from 2020 to 2021 was a decrease of \$94,361. The major factors contributing to this decrease in overall revenue were the decrease in grants and donations of \$102,999, and an increase in property taxes of \$30,572, and a decrease in Investment revenue of \$37,539, and various minor changes up and down throughout the budget.
- Property taxes account for the largest source of the Town's revenue, contributing over 57 cents for every dollar of revenue (see Table 3). The millage rate of 9.8103, with the new construction, generated \$30,572 more than in 2020.
- In summary, governmental activities were financed with \$690,463 in taxes and franchise fees, \$131,984 in charges for services, \$8,199 in operating grants and contributions, \$3,647 in capital grants and donations, \$21,976 in intergovernmental revenue, \$2,480 in investment earnings, and \$3,404 in miscellaneous revenue for a total of \$862,153.

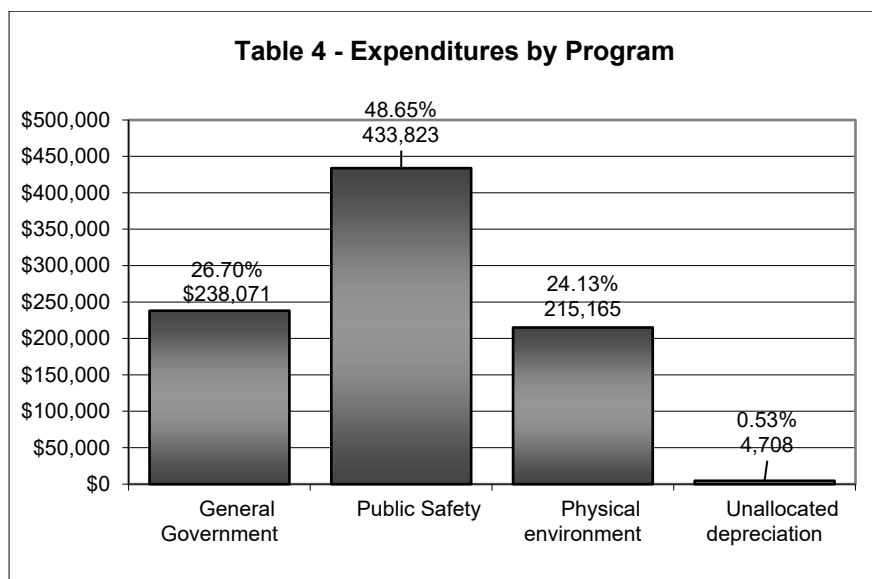
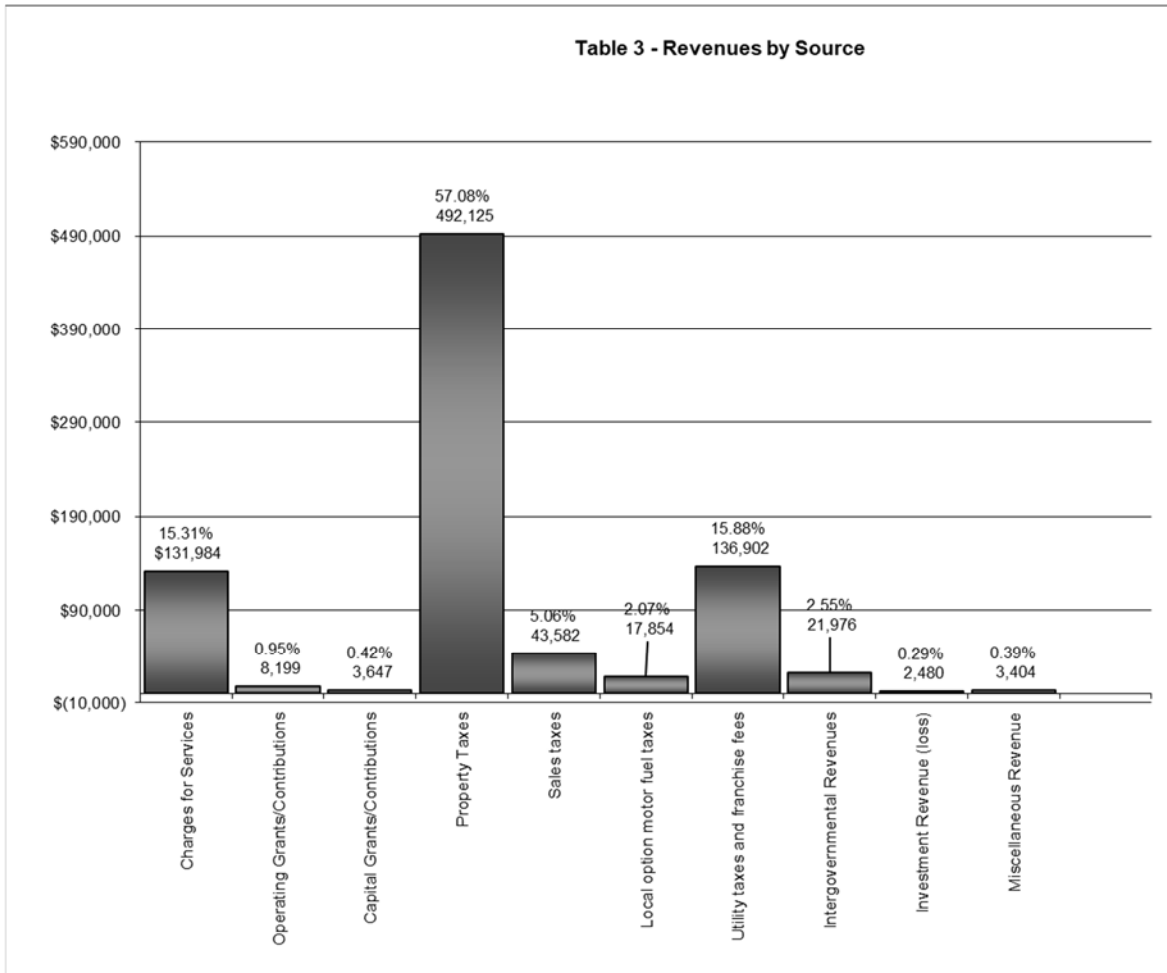
The Town's expenses predominantly relate to law enforcement, public works, and administration services, which includes support for the building permit department and the general governmental functions of the Town. Given that the Town is a service organization providing governmental services to residents,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

Total expenses in 2021 were \$891,767. This was a \$84,312 increase from those of 2020. The most significant contributions to this difference were an increase of \$13,935 in payroll and payroll related items, an increase of \$9,041 in depreciation expense, an increase of \$21,818 for road and maintenance repair, an increase of \$8,670 for public safety operating supplies, a \$18,422 increase in auditing and accounting, and various lesser increases and decreases throughout the budget totaling \$12,426.

The net decrease in capital assets was \$21,228, after reducing capital assets by \$57,019 for depreciation. Capital activities included the following:

- The Town expended \$21,800 to replace Live Oak culvert and \$3,110 to replace three doors for the Community House and \$2,251 in equipment.
- The Police Department expended \$1,165 on public safety equipment.
- The Public Works Department purchased a brush cutter for \$6,300 and \$1,165 in additional equipment.

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



Financial Analysis of the Town's Funds

The Town's governmental funds are accounted for using the modified accrual basis of accounting. Governmental funds have total revenues of \$864,869 and expenditures of \$871,500. The net change in fund balance for the year was (\$6,631).

General Fund Budgetary Highlights

The Town approves a budget in September based on anticipated revenue for the following year. The Town frequently adopts a revision to the annual budget late in the year. The Town adopted Ordinance 2021-05, a revised annual operating budget for the fiscal year 2020-21, in December 2021. The anticipated revenues remained the same from the original to the final adopted budget. Anticipated expenditures were increased by \$83,922 from the original budget due to increases in Community House repairs of \$14,400, accounting and auditing of \$18,080, Public Safety operating supplies of \$11,040, stormwater expenditures of \$14,600, Public Works repairs and maintenance of \$10,000, road repair of \$15,000 and a reduction for traffic committee of (\$30,000). Expenditures were also increased for payroll and related expenses of approximately \$18,700. Other changes totaled an increase of \$12,102.

The actual revenues were \$23,437 more than budgeted due largely to an increase in licenses and permits and intergovernmental revenues of approximately \$32,550 offset by receiving less taxes and franchise fee revenue and investment income than expected of approximately \$10,800.

The actual expenditures were \$42,615 under budget, largely due to less expended than anticipated for payroll and related expenses of \$12,280 and professional services of \$13,500. The remaining \$16,835 was savings in various items throughout the budget.

Capital Assets

By the end of the fiscal year 2020-21, the Town had invested \$696,333 (net of depreciation) in capital assets, including land, buildings, site improvements, vehicles, and other equipment. (See Table 5).

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

	Governmental Activities		
	2021	2020	Change
Land	\$ 65,300	\$ 65,300	\$ -
Buildings and improvements	130,690	136,509	(5,819)
Furniture and equipment	89,310	107,451	(18,141)
Vehicles	19,471	29,245	(9,774)
Infrastructure	391,562	379,056	12,506
Total	\$ 696,333	\$ 717,561	\$ (21,228)

Long-Term Debt

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

Factors Bearing on the Town's Future

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

- While the Town is close to build-out as far as vacant home-sites are concerned, we are seeing a steady trend towards major remodeling as well as demolishing existing homes and rebuilding on those existing home-sites. The current upturn in the market is causing an increase in remodeling projects and tear down/rebuilds, as well as property value increases. Melbourne Village is a desirable location with a significant inventory of older houses, so we anticipate that the Town will continue to see one to two major single-family-home building/remodeling permits per year.
- Because most of the Town's expenses are in the form of compensation (salaries and benefits) to the Town's employees, increases in the cost of providing benefits, and increases in compensation are the major factors in increasing the budget each year. In past years the Town has covered this increase by increasing the ad valorem property tax rate by 10% over the roll back rate. The actions of the State Legislature, combined with the fall in property values in 2008 through 2012 pushed the millage rate over 9 mills, flirting with the 10 mill cap. Recovering property values are again creating roll-backs, but the Town is still limited by this cap. The Town, therefore, may need to fund these increases from other sources or consider a reduction in levels of service in the future.
- The Hester Wagner Community House has been reopened following the COVID shut down for a year. We increased fees and simplified the renting procedure during Summer 2021. Since making these changes, we have seen an increase in revenues for this facility while seeing a decrease in activities. Weekday rentals have slowed substantially but with the increase in fees, coupled with consistent weekend rentals, our overall revenue numbers are up.
- The Town Commission adopted Resolution 2020-01 in February 2020 enabling an interfund loan from the Special Investment Fund (Investment Fund A) to the General Fund to pay the cost of the Dayton Bridge project not covered by funds on hand or other sources. The term of the loan is ten years at an interest rate of 2% per annum. The Town borrowed \$100,000 in October of 2020 from Investment Fund A. The first payment on the loan was \$11,133 paid in January 2022.
- A portion of the Dayton Blvd bridge project was allocated to stormwater activities and will be recovered through increased stormwater utility fees. The Town Commission adopted Resolution 2019-06 in September 2019, due to estimating the stormwater share of the project to be approximately \$235,000. Resolution 2019-06 provided an increase to the stormwater utility fee of \$5.00 per month per equivalent residential unit (ERU) to repay the interfund loan and recover bridge costs paid by the General Fund. The increased utility fee began in February 2020 with no set ending date at this time.

- Following the collapse of the culvert at Live Oak and Hammock in 2021, the Town has taken steps to look at the overall health of all culverts within the Town. We had an engineer review and prioritize culverts based on the greatest need. The Town is continuing to pursue funding to cover anticipated costs.
- In May 2022, the Town purchased two police vehicles totaling \$83,765. The vehicle expense is to be reimbursed by grant funds.
- The Town has seen a lack of continuity in the key position of Town Clerk. Due to this, there has been missed opportunities to implement policy to fully address prior audit findings and prevent future similar findings. The Town is actively searching for a qualified long-term employee in the role of Town Clerk.

Contacting the Town's Financial Management

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

Phone: 321-723-8300

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

E-mail: Town@melbournevillage.org

TOWN OF MELBOURNE VILLAGE, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 1,526,905
Accounts receivable	60,370
Prepaid items	1,161
Restricted assets:	
Cash and cash equivalents	10,040
Capital assets (not being depreciated):	
Land	65,300
Capital assets (net of accumulated depreciation):	
Buildings and improvements	130,690
Furniture and equipment	89,310
Vehicles	19,471
Infrastructure	391,562
Total assets	<u>2,294,809</u>
 LIABILITIES	
Accounts payable and accrued liabilities	34,218
Unearned revenue	173,796
Noncurrent liabilities:	
Due within one year	4,296
Due in more than one year	12,889
Total liabilities	<u>225,199</u>
 DEFERRED INFLOWS OF RESOURCES	
Business taxes not yet earned	<u>292</u>
Total deferred inflows of resources	<u>292</u>
 NET POSITION	
Net investment in capital assets	696,333
Restricted for:	
Transportation (impact fees)	9,207
Public safety (impact fees)	100
Law enforcement trust fund	229
Law enforcement education	504
Unrestricted	<u>1,362,945</u>
Total net position	<u><u>\$ 2,069,318</u></u>

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

**TOWN OF MELBOURNE VILLAGE, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 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/ Contributions</u>	<u>Capital Grants/ Contributions</u>	
Governmental activities:					
General government	\$ 238,071	\$ 41,776	\$ 1,610	\$ 1,215	\$ (193,470)
Public safety	433,823	17,878	6,589	1,216	(408,140)
Physical environment	215,165	72,330	-	1,216	(141,619)
Unallocated depreciation	4,708	-	-	-	(4,708)
Total government	<u>\$ 891,767</u>	<u>\$ 131,984</u>	<u>\$ 8,199</u>	<u>\$ 3,647</u>	<u>(747,937)</u>

General revenues:	
Property taxes	492,125
Sales taxes	43,582
Local option motor fuel taxes	17,854
Utility taxes and franchise fees	136,902
Intergovernmental revenues	21,976
Investment income (loss)	2,480
Miscellaneous revenues	3,404
Total general revenues	<u>718,323</u>
Change in net position	(29,614)
Net position - beginning	<u>2,098,932</u>
Net position - ending	<u>\$ 2,069,318</u>

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

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

	<u>General Fund</u>	<u>Stormwater Utility Fund</u>	<u>Investment Fund A</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 313,729	\$ -	\$ 1,213,176	\$ 1,526,905
Accounts receivable	48,020	12,350	-	60,370
Prepaid items	1,161	-	-	1,161
Due from other funds	-	6,067	9,133	15,200
Advances to other funds	-	-	90,867	90,867
Restricted assets:				
Cash and cash equivalents	10,040	-	-	10,040
Total assets	<u>\$ 372,950</u>	<u>\$ 18,417</u>	<u>\$ 1,313,176</u>	<u>\$ 1,704,543</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued liabilities	\$ 33,940	\$ 278	\$ -	\$ 34,218
Due to other funds	15,200	-	-	15,200
Advances from other funds	90,867	-	-	90,867
Unearned revenue	173,796	-	-	173,796
Total liabilities	<u>313,803</u>	<u>278</u>	<u>-</u>	<u>314,081</u>
Deferred Inflows of Resources				
Business taxes not yet earned	292	-	-	292
Unavailable grant revenue	25,065	-	-	25,065
Total deferred inflows of resources	<u>25,357</u>	<u>-</u>	<u>-</u>	<u>25,357</u>
Fund Balances				
Nonspendable	1,161	-	-	1,161
Restricted	10,040	-	-	10,040
Committed	-	18,139	1,313,176	1,331,315
Assigned	22,589	-	-	22,589
Total fund balances	<u>33,790</u>	<u>18,139</u>	<u>1,313,176</u>	<u>1,365,105</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 372,950</u>	<u>\$ 18,417</u>	<u>\$ 1,313,176</u>	<u>\$ 1,704,543</u>

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

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

Fund balances - total governmental funds \$ 1,365,105

The net position reported for governmental activities in the statement of net position is different because:

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

Land	\$ 65,300	
Buildings and improvements, net	130,690	
Furniture and equipment, net	89,310	
Vehicles, net	19,471	
Infrastructure, net	<u>391,562</u>	696,333

Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds (17,185)

Deferred inflow of resources in governmental funds earned in the prior period but not still not received as of year end are not reported in governmental funds but are susceptible to full accrual on the entity-wide statements:

Unavailable grant revenue	25,065	
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Net position of governmental activities \$ 2,069,318

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

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

	<u>General Fund</u>	<u>Stormwater Utility Fund</u>	<u>Investment Fund A</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes and franchise fees	\$ 646,881	\$ -	\$ -	\$ 646,881
Licenses and permits and other fees	48,002	72,330	-	120,332
Intergovernmental revenues	71,943	-	-	71,943
Fines and forfeitures	2,934	-	-	2,934
Investment income (net)	203	-	2,277	2,480
Miscellaneous revenue	20,299	-	-	20,299
Total revenues	<u>790,262</u>	<u>72,330</u>	<u>2,277</u>	<u>864,869</u>
EXPENDITURES				
Current				
General government	237,798	-	-	237,798
Public safety	408,513	-	-	408,513
Physical environment	186,075	3,323	-	189,398
Capital outlay	35,791	-	-	35,791
Total expenditures	<u>868,177</u>	<u>3,323</u>	<u>-</u>	<u>871,500</u>
Excess (deficiency) of revenues over (under) expenditures	(77,915)	69,007	2,277	(6,631)
OTHER FINANCING SOURCES (USES)				
Transfers in	70,000	-	-	70,000
Transfers out	-	(70,000)	-	(70,000)
Total other financing sources (uses)	<u>70,000</u>	<u>(70,000)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(7,915)</u>	<u>(993)</u>	<u>2,277</u>	<u>(6,631)</u>
Fund balances, beginning of year	<u>41,705</u>	<u>19,132</u>	<u>1,310,899</u>	<u>1,371,736</u>
Fund balances, end of year	<u><u>\$ 33,790</u></u>	<u><u>\$ 18,139</u></u>	<u><u>\$ 1,313,176</u></u>	<u><u>\$ 1,365,105</u></u>

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

TOWN OF MELBOURNE VILLAGE, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Net change in fund balances - total governmental funds \$ (6,631)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following is the amount by which capital outlays exceeded depreciation in the current period:

Expenditure for capital assets	\$ 35,791	
Current year depreciation	<u>(57,019)</u>	(21,228)

Some revenues reported in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in governmental funds.

Those include:

Change in deferred inflows from grants	(2,716)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Those include:

Change in accrued compensated absences	961
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Change in net position of governmental activities	<u><u>\$ (29,614)</u></u>
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The accompanying notes are an integral part of this financial statement.

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Taxes and franchise fees	\$ 651,868	\$ 651,868	\$ 646,881	\$ (4,987)
Licenses and permits and other fees	32,850	32,850	48,002	15,152
Intergovernmental revenues	54,507	54,507	71,943	17,436
Fines and forfeitures	3,000	3,000	2,934	(66)
Investment income (net)	6,000	6,000	203	(5,797)
Miscellaneous revenue	18,600	18,600	20,299	1,699
Total revenues	<u>766,825</u>	<u>766,825</u>	<u>790,262</u>	<u>23,437</u>
EXPENDITURES				
Current				
General government	207,489	252,151	237,798	14,353
Public safety	389,890	417,549	408,513	9,036
Physical environment	215,191	224,692	186,075	38,617
Capital outlay	14,300	16,400	35,791	(19,391)
Total expenditures	<u>826,870</u>	<u>910,792</u>	<u>868,177</u>	<u>42,615</u>
Excess (deficiency) of revenues over (under) expenditures	(60,045)	(143,967)	(77,915)	66,052
OTHER FINANCING SOURCES (USES)				
Transfers in	59,300	70,000	70,000	-
Total other financing sources (uses)	<u>59,300</u>	<u>70,000</u>	<u>70,000</u>	<u>-</u>
Net change in fund balances	(745)	(73,967)	(7,915)	66,052
Fund balances, beginning of year	41,705	41,705	41,705	-
Fund balances, end of year	<u>\$ 40,960</u>	<u>\$ (32,262)</u>	<u>\$ 33,790</u>	<u>\$ 66,052</u>

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

TOWN OF MELBOURNE VILLAGE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
STORMWATER UTILITY FUND - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Licenses and permits and other fees	\$ 74,250	\$ 70,000	\$ 72,330	\$ 2,330
Total revenues	<u>74,250</u>	<u>70,000</u>	<u>72,330</u>	<u>2,330</u>
EXPENDITURES				
Current				
Physical environment	4,500	4,500	3,323	1,177
Total expenditures	<u>4,500</u>	<u>4,500</u>	<u>3,323</u>	<u>1,177</u>
Excess (deficiency) of revenues over (under) expenditures	69,750	65,500	69,007	3,507
OTHER FINANCING SOURCES (USES)				
Transfers out	(51,300)	(70,000)	(70,000)	-
Total other financing sources (uses)	<u>(51,300)</u>	<u>(70,000)</u>	<u>(70,000)</u>	<u>-</u>
Net change in fund balances	18,450	(4,500)	(993)	3,507
Fund balances, beginning of year	19,132	19,132	19,132	-
Fund balances, end of year	<u>\$ 37,582</u>	<u>\$ 14,632</u>	<u>\$ 18,139</u>	<u>\$ 3,507</u>

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

TOWN OF MELBOURNE VILLAGE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
INVESTMENT FUND A - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Investment income (net)	\$ 17,000	\$ 2,000	\$ 2,277	\$ 277
Total revenues	17,000	2,000	2,277	277
EXPENDITURES				
Current				
General government	1,000	1,000	-	1,000
Total expenditures	1,000	1,000	-	1,000
Excess (deficiency) of revenues over (under) expenditures	16,000	1,000	2,277	1,277
OTHER FINANCING SOURCES (USES)				
Transfers out	(8,000)	-	-	-
Total other financing sources (uses)	(8,000)	-	-	-
Net change in fund balances	8,000	1,000	2,277	1,277
Fund balances, beginning of year	1,310,899	1,310,899	1,310,899	-
Fund balances, end of year	\$ 1,318,899	\$ 1,311,899	\$ 1,313,176	\$ 1,277

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting entity

The Town was incorporated during a special session of the Florida legislature on May 13, 1957 under Chapter 57-1578, Special Laws of Florida, and was given all powers possible for a municipality under the constitution and laws of the State of Florida. The Town is governed by a seven-member Commission consisting of a Mayor/Commissioner and six Commissioners, all of whom are elected by the registered voters of the Town. The Commission annually elects a Vice-Mayor from among its members. The Town provides a wide range of services as directed by the Town Charter, including general government, public safety, public improvements, planning and zoning and other related general and administrative services for its approximately 730 residents.

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

2. Government-wide and fund financial statements

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

The Town reports the following as major governmental funds:

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

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Investment Fund A (continued)

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

4. Assets, liabilities and fund balance

a. *Cash and investments*

The Town's cash and cash equivalents are defined as cash on hand, demand deposits, certificates of deposit, and amounts invested in the State Board of Administration's ("SBA") Florida Local Government Surplus Funds Trust Fund (currently "Florida PRIME"), the Florida Local Government Investment Trust (FLGIT), and other similarly constituted funds.

Florida PRIME is an external investment pool that seeks to operate in a manner consistent with the criteria and requirements in GASB 79, including diversification, credit quality and maturity conditions. Accordingly, portfolio assets in the fund are reported using the amortized cost method and the fund seeks to maintain a stable Net Asset Value (NAV) of \$1.00 per share. The fair value of the position in the pool is substantially equal to the value of the pool shares. The dollar weighted average days to maturity and weighted average life as of September 30, 2021 were 49 days and 64 days, respectively, and there were no redemption fees, maximum transaction amounts, or any other requirements that would limit a participant's daily access to 100% of its account value. A redemption gate of forty-eight (48) hours and up to an additional fifteen (15) days may apply to material withdrawals.

FLGIT Day-to-Day Fund is an external investment pool that has characteristics consistent with GASB 79 requirements to allow measurement of its investments at amortized cost. As a result, the pool seeks to maintain a stable Net Asset Value (NAV) of \$1.00 per share. The fair value of the position in the pool is substantially equal to the value of the pool shares. There were no redemption fees, maximum transaction amounts or restrictions on withdrawals. The weighted average maturity for securities held in the Day-to-Day Fund as of September 30, 2021 was 48 days.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Assets, liabilities and fund balance (continued)

a. *Cash and investments (continued)*

FLGIT Short-Term Bond Fund is an external investment pool that is accounted for as a fluctuating or Variable Net Asset Value (VNAV) pool. The value of the pool is reflected in its estimates of the market value of the underlying securities rather than their amortized cost and will fluctuate based on market conditions. The fair value of the position in the pool is substantially equal to the value of the pool shares. There are no redemption fees, maximum transaction amounts or restrictions on withdrawals. The weighted average maturity for securities held in the Short-Term Bond Fund as of September 30, 2021 was 2.10 years.

The Town follows the State of Florida statutory investment restrictions as provided in section 218.415 (17) Fla. Statutes.

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

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

b. *Interfund receivables and payables*

Activity between funds that are representative of lending/borrowing and custodial arrangements outstanding at the end of the fiscal year, if any, are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

c. *Prepaid items*

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Assets, liabilities and fund balance (continued)

d. Capital assets

Capital assets include land, buildings, furniture, equipment, vehicles and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) and are reported in the government-wide financial statements. Capital assets purchased or acquired are recorded at historical cost or estimated historical cost. Contributed assets are recorded at fair value as of the date received. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset lives are not capitalized.

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

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

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

e. Unearned revenue

Unearned revenue at September 30, 2021 consists of monies received under the American Rescue Act Plan (“ARPA”) grant. The amount is a 50% advance of the awarded total. Funds may be used toward eligible expenses incurred from March 3, 2021 through December 31, 2024. No amounts were charged against this grant as of September 30, 2021.

f. Compensated absences

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Assets, liabilities and fund balance (continued)

g. Deferred inflows of resources

- Business taxes not yet earned at September 30, 2021 consists of prepaid business taxes due to the Town on October 1 each year.
- Unavailable grant revenue at September 30, 2021 consists of grant revenue earned but not received within sixty days.

h. Fund balance

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

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

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

Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as grantors, or amounts constrained due to constitutional provisions or enabling legislation.

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action by the highest level of decision making authority, the Town Commission, through ordinances and/or resolutions. Commitments may be changed or lifted only by the Town Commission taking the same formal action that imposed the original constraint. These commitments must be in place prior to September 30.

Assigned - includes fund balance amounts established by the Town Commission, or by an official or body to which the Town Commission delegates the authority, that are intended to be used for specific purposes that are neither restricted nor committed. The Commission has retained sole authority to assign fund balance.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Assets, liabilities and fund balance (continued)

h. Fund balance (continued)

Unassigned - includes residual positive fund balance amounts within the general fund which have not been classified in any of the above categories. Unassigned fund balance may also include negative balances for any governmental fund if the nonspendable amount exceeds amounts that are restricted, committed or assigned for those specific purposes.

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

i. Property taxes

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

j. Use of estimates

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

NOTE B - BUDGETS

An annual budget is adopted for all funds of the Town and the legal level of budgetary control is the fund level. The budget can only be increased by adoption of a subsequent ordinance by the Town Commission. At any time during the fiscal year, the Commission may, by resolution, transfer part or all of any unencumbered appropriation balance from one department, office or program to another. Annual budget appropriations, except appropriation for capital expenditure, to the extent not expended or encumbered, lapse at the end of each fiscal year. An appropriation for a capital expenditure shall continue in force until the purpose for which it was made has been accomplished or abandoned either by positive action or by the passage of three years without any disbursement from or encumbrance of the appropriation.

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

NOTE B - BUDGETS (continued)

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

NOTE C - DEPOSITS AND INVESTMENTS

All cash, cash equivalents, and investments are held in the name of the Town at various financial institutions. Investments are stated at fair value, or amortized cost if it approximates fair value. The carrying amounts of the Town’s cash and cash equivalents on September 30, 2021, including restricted cash and cash equivalents of \$10,040, were as follows:

Deposits (in bank)	\$	232,184
Cash on hand		200
SBA Florida PRIME		91,385
FLGIT Day-to-Day Fund		283,180
FLGIT S/T Bond Fund		929,996
	<u>\$</u>	<u>1,536,945</u>

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

The Town maintains an account at a local bank in the Town’s name, used for its general daily operations. At September 30, 2021, the bank balance was \$235,689. Monies placed on deposit with financial institutions in the form of demand deposits and time deposits are defined as public deposits. The financial institutions in which the town places its deposits are certified as “qualified public depositories”, as required under the Florida Security for Public Deposits Act. All balances in excess of Federal Depository Insurance Corporation (“FDIC”) insurance for demand and time deposits are fully collateralized pursuant to Chapter 280, Florida Statutes. All investments are held by the Town’s agent in the Town’s name.

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

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

NOTE C - DEPOSITS AND INVESTMENTS (continued)

At September 30, 2021, the Town reported the following fair value methods, credit ratings and investment holdings percentages:

Investment Type	Fair Value Method	Credit Rating (as applicable)	Available Funds at Fair Value	Percentage of Available Funds
Deposits in bank (1)	N/A	N/A	\$ 235,698	15.30%
SBA Florida PRIME	Amortized Cost	AAAm	91,385	5.90%
FLGIT Day-to-Day Fund	Amortized Cost	AAAf	283,180	18.40%
FLGIT S/T Bond Fund	VNAV	AAAf	929,996	60.40%
			<u>\$ 1,540,259</u>	<u>100.00%</u>

(1) Bank balance at 9/30/21.

NOTE D - RECEIVABLES

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

Short-term receivables as of September 30, 2021 consisted of the following:

	General Fund	Stormwater Utility Fund
Accounts receivable	\$ 14,670	\$ -
Intergovernmental	33,350	12,350
Total	<u>\$ 48,020</u>	<u>\$ 12,350</u>

The Town considers all short-term receivables to be fully collectible at September 30, 2021; therefore, no allowance for doubtful accounts has been recorded.

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

Long-term receivables as of September 30, 2021 consisted of the following amount due from a former employee at no interest rate.

	General Fund
Note receivable	\$ 7,044
Less: Allowance for doubtful accounts	(7,044)
Total	<u>\$ -</u>

The Town is continuing its collection efforts on the full value of the note.

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

NOTE E - CAPITAL ASSETS

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

	Beginning Balance	Increases/ Transfers	Decreases/ Transfers	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 65,300	\$ -	\$ -	\$ 65,300
Total capital assets not being depreciated	65,300	-	-	65,300
Capital assets being depreciated:				
Buildings and improvements	316,748	3,110	-	319,858
Furniture and equipment	228,347	10,881	3,849	235,379
Vehicles	129,139	-	-	129,139
Infrastructure	520,745	21,800	-	542,545
Total capital assets being depreciated	1,194,979	35,791	3,849	1,226,921
Less accumulated depreciation for:				
Buildings and improvements	180,239	8,929	-	189,168
Furniture and equipment	120,896	29,022	3,849	146,069
Vehicles	99,894	9,774	-	109,668
Infrastructure	141,689	9,294	-	150,983
Total accumulated depreciation	542,718	57,019	3,849	595,888
Capital assets, net	<u>\$ 717,561</u>	<u>\$ (21,228)</u>	<u>\$ -</u>	<u>\$ 696,333</u>

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

General government	\$ 2,522
Public safety	24,203
Physical environment	25,586
Unallocated	4,708
Total	<u>\$ 57,019</u>

Depreciation expense in the amount of \$4,708 for capital assets that serve all governmental functions was not allocated to the functions/programs of the Town for fiscal year ended September 30, 2021.

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

NOTE F - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Liabilities reported as accounts payable and accrued liabilities on the statement of net position and balance sheet of the General Fund at September 30, 2021 were as follows:

Current payables due to vendors	\$	766
Salaries and wages payable and related liabilities		23,878
Intergovernmental		3,824
Deposits		5,750
		5,750
Total	\$	34,218

NOTE G - LONG-TERM OBLIGATIONS

Changes in accrued compensated absences for the year ended September 30, 2021 are summarized as follows:

		Governmental Activities
		18,146
Compensated absences, beginning of year	\$	18,146
Additions		15,982
Reductions		16,943
		17,185
Compensated absences, end of year	\$	17,185
Amounts due within one year	\$	4,296

NOTE H - INTERFUND ACTIVITY

The Town makes annual transfers from the Stormwater Utility Fund to the General Fund in accordance with its annual budget in order to reimburse the General Fund for a portion of the expenditures it incurred on behalf of the Stormwater Utility Fund. The amount transferred during the fiscal year ended September 30, 2021 was \$70,000.

At September 30, 2021, there was a balance due from the General Fund to the Stormwater Utility Fund in the amount of \$6,067 and due from the General Fund to the Investment Fund A in the amount of \$100,000.

In March 2020, the Town Commission adopted Resolution 2020-01 enabling an interfund loan from Investment Fund A to the General Fund to fund the costs of the now completed Dayton Bridge construction project that were not covered by funds on hand or other sources. In October 2020, the Town transferred \$100,000 from Investment Fund A to the General Fund as an interfund loan. The terms of the loan are 2% per annum over a ten year repayment period to cover the lost investment earnings.

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

NOTE I - FUND BALANCES

Fund balances as of September 30, 2021 consisted of the following:

	General Fund	Stormwater Utility Fund	Investment Fund A
Nonspendable			
Prepaid items	\$ 1,161	\$ -	\$ -
Restricted			
Transportation	9,207	-	-
Public safety	833	-	-
Committed	-	18,139	1,313,176
Assigned			
Community house	22,589	-	-
Total	\$ 33,790	\$ 18,139	\$ 1,313,176

NOTE J - SECTION 457 DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan (the "Plan") created in accordance with Internal Revenue Code Section 457. The Plan is administered by the ICMA Retirement Corporation and permits an employee to defer a portion of his/her salary until future years. All employees are eligible to participate in the Plan thirty days after hire and there is no minimum amount a participating employee must contribute. The maximum amount an employee may contribute to the Plan is the maximum amount allowable annually by the Internal Revenue Service. The Town will match an employee's contributions, up to 2.5% of the employee's salary, for his/her first year of service. The Town's matching percentage will increase by 0.5% of the employee's salary for each subsequent year of service, up to a maximum of 5.0%. Deferred compensation withdrawals are not available to employees until termination of employment, retirement, death, or an unforeseeable emergency. For the year ended September 30, 2021, the Town's matching contributions totaled \$19,914. In accordance with current professional pronouncements, the Town has not included such funds in its financial statements.

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

NOTE K - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. In order to limit its exposure to these risks, the Town is a participant in the Florida League of Cities (a not-for-profit corporation) Florida Municipal Insurance Trust pool (the "Pool") for workers' compensation, general and auto liability, and property insurance. The Pool is a non-assessable, non-profit, tax-exempt risk-sharing pool offering liability, property, health, and workers' compensation programs to governmental entities and provides general liability coverage of \$200,000 per person and \$300,000 per occurrence as prescribed by Section 768.28, Florida Statutes (the "statutory limit"). The Town has specific excess coverage of \$1,500,000, inclusive of the statutory limit, which is available only through a Federal law claim or passage of a *claims bill* through the Legislature. Participants in the Pool are billed quarterly for their share of the costs of the Pool, adjusted for actual expense during the period of coverage. Participants are not assessed for unanticipated losses incurred by the Pool. Premium costs for the year ended September 30, 2021 totaled \$72,107. Settled claims have not exceeded the Town's insurance coverage in any of the past three years.

NOTE L - SUBSEQUENT EVENTS

In May 2022, the Town purchased two police vehicles totaling \$83,765. The cost of the vehicles is expected to be reimbursed by grant funds.

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

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Town of Melbourne Village, Florida (the "Town"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued my report thereon dated June 26, 2022.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and is listed in the Schedule of Audit Findings as Finding F2021-1.


I noted certain other matters that I reported to management of the Town in a separate letter dated June 26, 2022.

Management's Response to Audit Findings

The Town's response to the findings identified in my audit is included on page 41. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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



Titusville, Florida
June 26, 2022

**TOWN OF MELBOURNE VILLAGE, FLORIDA
SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**Finding
F2021-1**

Budget Noncompliance

Criteria: 166.241(7) F.S. allows the governing body of a municipality to amend a fiscal year budget at any time within a fiscal year or within 60 days following year end. 166.241(3) F.S. requires the Town to post the budget to the Town's website for a specified period of time. 166.241(6) F.S. requires the budget and economic status of the Town be electronically submitted to the Office of Economic and Demographic Research (EDR) by October 15th annually.

Condition: The Town amended the FY 2021 budget on December 14, 2021 and did not post any recent budgets to its website. Auditor was also informed the FY 2022 budget remained unsubmitted to the EDR as of June 22, 2022.

Cause: The Town Clerk/Treasurer did not implement the recommendation from the prior year, listed as Comment 2020-05 regarding developing operating procedures for non-daily, non-routine tasks to aid in ensuring these types of deadlines are not missed.

Effect: The Town missed the 60-day deadline and was out of compliance with 166.241(7) F.S. The Town was also out of compliance with 166.241(3), and is currently out of compliance with 166.241(6) as well.

Recommendation: It is recommended that the Town take measures, such as an operating procedures schedule, to ensure deadlines such as these are not missed and compliance with budget availability on the Town's website is adhered to.

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TOWN OF MELBOURNE VILLAGE

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Management's Response to Audit Findings

June 26, 2022

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

The Town of Melbourne Village respectfully submits the following response to the Schedule of Audit Findings concerning the fiscal year ended September 30, 2021.

Finding F2021-1: Budget Noncompliance

Recommendation: It is recommended that the Town take measures, such as an operating procedures schedule, to ensure deadlines such as these are not missed and compliance with budget availability on the Town's website is adhered to.

Response: The Town is actively compiling a master schedule for all vital deadlines and working to ensure budgets are posted to the Town's website in accordance with 166.241 F.S.

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INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

Report on the Financial Statements

I have audited the financial statements of the Town of Melbourne Village, Florida (the "Town"), as of and for the fiscal year ended September 30, 2021, and have issued my report thereon dated June 26, 2022.

Auditor's Responsibility

I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida.

Other Reporting Requirements

I have issued my Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and my Independent Accountant's Report on Compliance with Section 218.415, Florida Statutes, which is an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 26, 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 I determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report.

- a. Status of Prior Year Audit Findings:
 - 1) Finding F2020-1 *Timeliness of Year-End Accounting and Reporting Processes* - Reduced to Management Comment 2021-01 (similar Comment in FY 2019 and FY 2018 as Comment 001).
 - 2) Finding F2020-2 *Reporting Deadline* - Corrected.
- b. Status of Prior Year Comments and Recommendations:
 - 1) Comment 2020-01 *Accounting Oversight* - Corrected.
 - 2) Comment 2020-02 *Grant Administration and Accounting* - Corrected.
 - 3) Comment 2020-03 *Building Permits and Inspection Fees* - Partially repeated as Comment 2021-02 (similar Comment in FY 2019 and FY 2018 as Comment 003).

Prior Audit Findings (Continued)

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

- 4) Comment 2020-04 *Purchasing Policy* - Partially repeated as Comment 2021-03 (similar Comment in FY 2019 and FY 2020 as 004 and 2020-04, respectively).
- 5) Comment 2020-05 *Policies and Operating Procedures* - Repeated as Comment 2021-04.
- 6) Comment 2020-06 *Deteriorating Financial Condition* - Corrected (resolved with grants).

Official Title and Legal Authority

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

Financial Condition and Management

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

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires that I communicate any recommendations to improve the Town's financial management. In connection with my audit, I consider the comments listed in the attached Schedule of Current Year Comments and Recommendations as Comment 2021-01 through Comment 2021-04 to be recommendations to improve the Town's financial management.

Additional Matters

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

Management's Response to Audit Findings

The Town's response to the recommendations identified in my audit is included on pages 49 and 50. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Letter

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

Crawford CPA, Inc.

Titusville, Florida
June 26, 2022

**TOWN OF MELBOURNE VILLAGE, FLORIDA
SCHEDULE OF CURRENT YEAR COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Comment

2021-01 Fiscal Year-End Schedule

Criteria: A schedule of due dates for completion of each major year-end process was created that served to inform all parties of expected turnaround times required to meet deadlines and to facilitate an earlier delivery period for the audit.

Condition: The agreement in the audit contract to provide the auditor with a final trial balance and complete and final set of financial statements no less than thirty (30) days prior to the expected delivery of bound annual financial reports was not met even though the year-end schedule provided ample time to meet this clause.

Cause: Although the schedule was created, it was not followed.

Effect: When financial statements and notes are finalized less than thirty (30) days prior to the State due date, the audit and financial statement review process is unduly rushed. A few payments for capital assets that were charged to expenditures in error may have been identified prior to auditor testing with sufficient review time.

Recommendation: It is recommended that the Town adhere to a year-end schedule in order to facilitate the timely submission of accurate financial reports and other data for audit and provide ample time for financial statement review.

Comment

2021-02 Building Permits and Inspection Fees

Criteria: The Town's Building Official estimates the number of inspections as part of the permit review process and actual inspections should be compared to estimated inspections prior to the closing out of the permit.

Condition: There was no evidence in the current year's audit that the Town tracked how many inspections were being charged by the Building Official on permits that required multiple inspections.

Cause: Although the Town has procedures for closing out permits, it did not have reconciling the Building Official's invoices with the inspections performed included in those procedures.

Effect: Permit holders may not have paid for an accurate number of actual inspections.

Recommendation: It is recommended that the Town reconcile actual inspections to estimated inspections for all or certain types of permits, along with the procedure for handling adjustments, if any, to the permit closing process.

**TOWN OF MELBOURNE VILLAGE, FLORIDA
SCHEDULE OF CURRENT YEAR COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Comment

2021-03 Purchasing Policy

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

Condition: The purchasing policy has not been formalized in writing from the prior year comment regarding when purchase orders and quotes are required and the manner in which sole source justification may be used. In the current year, auditor discovered expenditures over \$250 with no purchase order attached and instances where sole source justification was not noted on the supporting documents or in the Commission minutes.

Cause: The written purchasing policy should be more specific with regard to when a purchase order is required and the policy should require reasons for sole source purchases. It is unclear why several current year purchases over \$250 were not issued purchase orders in advance.

Effect: Auditor was unable to determine definitively whether the policy was followed for several items selected for testing due to varying interpretations of the policy. With the sole source justification not being required by the policy, the Town is not mitigating potential abuses.

Recommendation: It is recommended that the Town formally revise its purchasing policy for distribution to department heads in order to (1) further clarify when purchase orders and comparative quotes are required, and (2) add a requirement that sole source purchases include the reason for using the sole source option. Also recommended is that management ensure all documents submitted for payment are properly authorized and in compliance with the purchasing policy before the payment is generated whenever possible.

**TOWN OF MELBOURNE VILLAGE, FLORIDA
SCHEDULE OF CURRENT YEAR COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Comment

2021-04 Policies and Operating Procedures

Criteria: Operating procedures should be designed to assist current and new employees and management in ensuring important tasks are performed timely. Policies are designed to disseminate decisions made by the governing body. Employee benefit matters should be thoroughly researched to ensure compliance with all applicable standards.

Condition: There are a variety of non-daily, non-routine tasks the Town Clerk/Treasurer is responsible for overseeing or performing. Tasks such as notifying the Florida League of Cities that a vehicle on the auto insurance policy has been removed or replaced; updating vacation accrual amounts on employee anniversary dates and managing sick leave and vacation hours; notifying the health insurance company when an employee begins or ends employment; filing of a financial report to the State's Department of Financial Services ("DFS"); preparing the prior year budget revision before November 30 of the subsequent year; filing the required Public Depositor Annual Report; and filing the appropriate paperwork for any new bank account as a qualified public depository are a few examples. A procedure for an employee benefit that did not conform to existing policy was not established appropriately and, therefore, noncompliant.

Cause: No operating procedures were in place to assist the former and new Town Clerk/Treasurers in ensuring that such tasks were performed. The reason a former Town Clerk/Treasurer did not establish the new benefit plan in accordance with information provided by auditor is unknown. The reason vacation and sick leave balances were not corrected in the accounting software is unknown.

Effect: Tasks such as report submissions and others can lead to significant financial repercussions if missed. Benefits to an employee were resumed even though the procedure was not corrected, putting the Town at risk for increased costs. Employees do not have accurate information about their available vacation and sick leave, if any, on their paychecks. Some employees thought they were entitled to sick leave when they were not.

Recommendation: It is recommended that (1) special operating procedures for non-daily and/or non-routine tasks be developed to aid in ensuring these types of tasks are managed properly so deadlines are not missed, (2) required compliance matters are fully understood and followed before implementing any new employee compensation and benefit policies, and (3) accrued vacation and sick leave balances are corrected on employee paychecks and continually monitored in accordance with Town policy.

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TOWN OF MELBOURNE VILLAGE

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Management's Response to Current Year Comments and Recommendations

June 26, 2022

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

The Town of Melbourne Village respectfully submits the following response to the Schedule of Current Year Comments and Recommendations concerning the fiscal year ended September 30, 2021.

Comment 2021-01: Fiscal Year-End Schedule

Recommendation: It is recommended that the Town adhere to a year-end schedule in order to facilitate the timely submission of accurate financial reports and other data for audit and provide ample time for financial statement review.

Response: The Town is developing a master schedule with all pertinent dates that are necessary and required via charter or State Law that the Town must adhere to. Audit dates will be included in the master schedule.

Comment 2021-02: Building Permits and Inspection Fees

Recommendation: It is recommended that the Town reconcile actual inspections to estimated inspections for all or certain types of permits, along with the procedure for handling adjustments, if any, to the permit closing process.

Response: The Town is creating a new procedure for reconciling building permits which will entail verifying the number of inspections ordered versus completed. Refunds or requests for additional payment will be made at that time.

Comment 2021-03: Purchasing Policy

Recommendation: It is recommended that the Town formally revise its purchasing policy for distribution to department heads in order to (1) further clarify when purchase orders and comparative quotes are required, and (2) add a requirement that sole source purchases include the reason for using the sole source option. Also recommended is that management ensure all documents submitted for payment are properly authorized and in compliance with the purchasing policy before the payment is generated whenever possible.

Response: The Town will update the Purchasing Policy to better define the process and expectations, not limited to changing the parameters of when a purchase order is required. Additionally, the Town is actively creating a new process that requires department heads to verify invoices prior to submittal to Town Clerk which would include notating any sole source purchases.

Comment 2021-04: Policies and Operating Procedures

Recommendation: It is recommended that (1) special operating procedures for non-daily and/or non-routine tasks be developed to aid in ensuring these types of tasks are managed properly so deadlines are not missed, (2) required compliance matters are fully understood and followed before implementing any new employee compensation and benefit policies, and (3) accrued vacation and sick leave balances are corrected on employee paychecks and continually monitored in accordance with Town policy.

Response: The Town will create an operating procedure as recommended by the Auditor for non-routine tasks. Additionally, future changes to employee compensation and benefits will be thoroughly researched prior to implementation and may be forwarded to the attorney for review, and vacation and sick leave balances will be monitored in accordance with Town policy and corrected information disseminated to employees.

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

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

I have examined the Town of Melbourne Village, Florida's (the "Town") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, as of and for the year ended September 30, 2021, as required by Section 10.550, Rules of the Auditor General. Management is responsible for the Town's compliance with those requirements. My responsibility is to express an opinion on the Town's compliance with the specified requirements based on my examination.

My examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that I plan and perform the examination to obtain reasonable assurance about whether the Town complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about the Town's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on my judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. I believe the evidence I obtained is sufficient and appropriate to provide a reasonable basis for my opinion.

My examination does not provide a legal determination on the Town's compliance with the specified requirements.

In my opinion, the Town complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2021.

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

Crawford CPA, Inc

Titusville, Florida
June 26, 2022