

TOWN OF MELBOURNE BEACH, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2022



TOWN COMMISSION
(As of September 30, 2022)

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

TOWN MANAGER

Elizabeth Mascaro

TOWN CLERK

Amber Brown

FINANCE MANAGER

Jennifer Kerr

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Melbourne Beach, Florida, (the Town), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town, as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

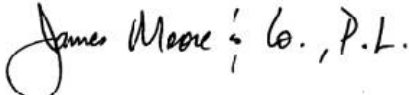
Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2023, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Daytona Beach, Florida
May 12, 2023

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

As management of the Town of Melbourne Beach (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2022.

Financial Highlights

- The assets of the Town of Melbourne Beach exceeded its liabilities at the close of the 2022 fiscal year by \$11,610,063 (net position). Of this amount, \$6,597,713 is net investment in capital assets while restricted net position is \$870,207. \$4,142,043 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The total net position increased \$2,113,571 from the previous year.
- As of the close of fiscal year 2022, the Town's governmental funds reported combined ending fund balances of \$6,423,652, an increase of \$2,322,593 in comparison with the prior year. While \$1,619,966 represents the portion restricted by outside parties, \$2,010,645 is assigned for capital improvements, and \$2,707,317 of the governmental funds balance is available for spending at the government's discretion (unassigned fund balance). An additional \$85,624 of governmental fund balance is non-spendable for current obligations.
- At the end of the 2022 fiscal year, unassigned fund balance for the general fund was \$2,743,673 or 71.5% of total general fund expenditures.
- The Town's total long-term liabilities decreased by \$300,771 during the 2022 fiscal year. This reflects the repayment of outstanding balances for bonds, notes and one lease.

Overview of the Financial Statements

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

Government-wide financial statements

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

The statement of net position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The governmental activities of the Town include general government, public safety, physical environment, and recreation. The government-wide financial statements can be found on pages 13-14 of this report.

Fund financial statements

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

Governmental funds

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

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

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the major funds. Data from the non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 15-18 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 21-22 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-47 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees. Required supplementary information can be found on pages 48-53 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 54-55 of this report.

Government-wide Financial Analysis

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

| | <u>2022</u> | <u>2021</u> |
|----------------------------------|----------------------|----------------------|
| Assets | | |
| Current and other assets | \$ 6,495,529 | \$ 4,974,711 |
| Capital assets, net | <u>8,757,030</u> | <u>9,076,525</u> |
| | <u>\$ 15,252,559</u> | <u>\$ 14,051,236</u> |
| Total assets | | |
| Deferred outflows of resources | <u>\$ 983,138</u> | <u>\$ 452,026</u> |
| Liabilities | | |
| Current liabilities | \$ 86,893 | \$ 890,826 |
| Noncurrent liabilities | <u>4,306,878</u> | <u>3,245,553</u> |
| Total liabilities | <u>\$ 4,393,771</u> | <u>\$ 4,136,379</u> |
| Deferred inflows of resources | <u>\$ 231,863</u> | <u>\$ 870,391</u> |
| Net position | | |
| Net investment in capital assets | \$ 6,597,713 | \$ 6,587,955 |
| Restricted | 870,207 | 559,709 |
| Unrestricted | <u>4,142,043</u> | <u>2,348,828</u> |
| Total net position | <u>\$ 11,610,063</u> | <u>\$ 9,496,492</u> |

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$11,610,063 at the close of the 2022 fiscal year. By far the largest portion of the Town's net position (56.8% percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure and improvements), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Of the remaining net position, \$870,207 represents resources that are subject to external restrictions on how they may be used. These restrictions relate primarily to externally imposed restrictions on funding for debt and capital purposes. The remaining balance of the net position which represents amounts available to meet the Town's ongoing obligations to citizens and creditors at the discretion of the Commission is \$4,142,043 for the 2022 fiscal year.

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

| | <u>2022</u> | <u>2021</u> |
|-----------------------------|----------------------|---------------------|
| Revenues: | | |
| Program Revenues: | | |
| Charges for Services | \$ 539,198 | \$ 486,616 |
| Operating Grants | 1,838,398 | 256,477 |
| Capital Grants | 7,337 | 38,778 |
| General Revenues: | | |
| Property taxes | 2,656,513 | 2,431,302 |
| Sales and use taxes | 365,382 | 334,587 |
| Franchise and utility taxes | 279,471 | 256,007 |
| Public services taxes | 349,173 | 331,648 |
| Insurance premium taxes | 45,792 | 42,470 |
| State revenue sharing | 111,791 | 89,973 |
| Investment earnings (loss) | 5,240 | 1,370 |
| Miscellaneous revenues | 6,143 | 1,533 |
| Total Revenues | <u>6,204,438</u> | <u>4,270,761</u> |
| Expenses: | | |
| General government | 1,341,227 | 1,142,131 |
| Public safety | 1,998,549 | 1,451,934 |
| Physical environment | 489,538 | 410,564 |
| Culture/recreation | 163,972 | 210,989 |
| Interest on long-term debt | 97,581 | 90,858 |
| Total Expenses | <u>4,090,867</u> | <u>3,306,476</u> |
| Changes in net position | 2,113,571 | 964,285 |
| Beginning net position | 9,496,492 | 8,532,207 |
| Ending net position | <u>\$ 11,610,063</u> | <u>\$ 9,496,492</u> |

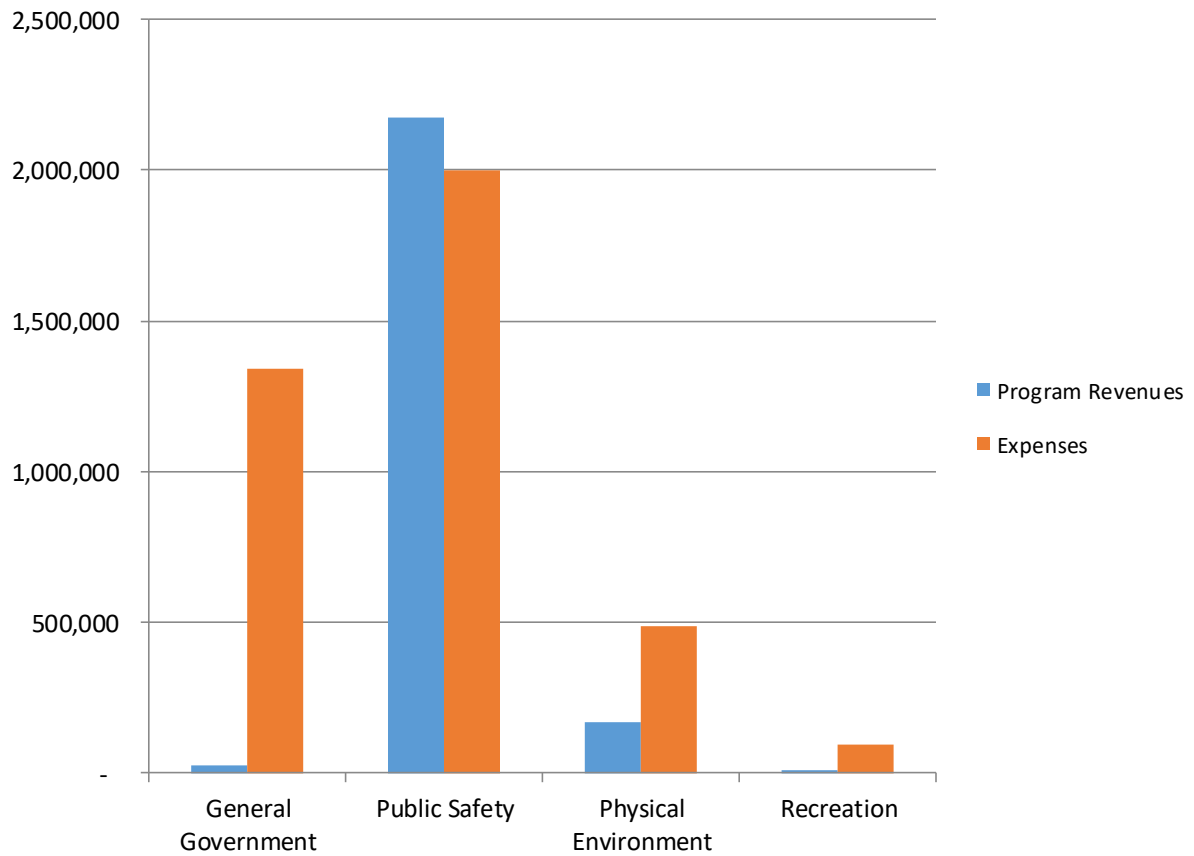
Governmental activities

Governmental activities increased the Town's net position by \$2,113,571. This amount is primarily attributable to increases in property tax revenues.

- The Town's total revenues related to governmental activities increased by approximately \$1,933,677 from the prior year. Factors that contributed to an increase in revenues are an increase in General Revenue operating grants, due to the ARPA Funds, and property tax revenues, which increased due to home sales, new home builds and the cost of construction.
- Expenses related to governmental activities increased by \$784,391 from the prior year. This is primarily related to an increase in public safety expenses, which increased due to competitive salary raises for the Police department and the rise of inflation in the economy.

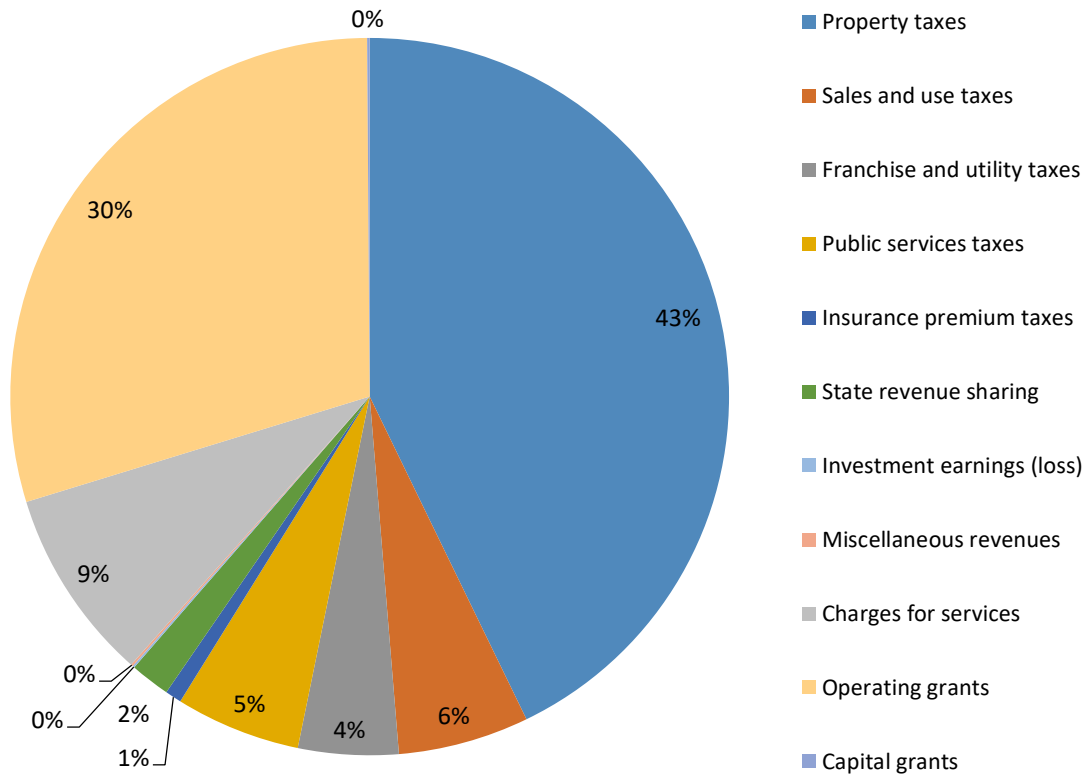
Expenses and Program Revenues - Governmental Activities

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



Revenues by Source - Governmental Activities

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



Financial Analysis of the Government's Funds

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

Governmental funds

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

As of the end of the fiscal year 2022, the Town's governmental funds reported combined ending fund balances of \$6,423,652, an increase of \$2,322,593 in comparison with the prior year. As of the end of fiscal year 2022, \$85,624 of the fund balance is designated as non-spendable to indicate that it is not available for new spending because it has already been spent on prepaid items. A portion of the fund balances is restricted in use by outside parties for the following: \$692,002 for debt purposes; \$8,250 for historic preservation; \$734,743 for stormwater construction; \$66,586 for Ocean State Park; \$25,821 for law enforcement education; \$20,148 for fire department; \$3,899 for building department education; and \$68,517 for building department operations. Additionally, \$2,010,645 has been assigned by the Town

Commission for capital improvements. The remaining amount, \$2,707,417 constitutes unassigned fund balance, which is available for spending at the government's discretion.

The General Fund is the chief operating fund of the Town. At the end of the 2022 fiscal year, unassigned fund balance of the general fund was \$2,742,673 while total general fund balance was \$2,849,545. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. An excess of revenues over expenditures of \$684,004 was partially offset by \$628,201 of transfers to other funds during the year.

The American Rescue Plan fund has a fund balance of \$1,617,167. The American Rescue Plan fund was revenues that will be earned to the extent of expenditures in accordance with the Town's subrecipient agreement for approximately \$1.65 million on Coronavirus State and Local Fiscal Recovery Funds. All related revenues have been earned due to the standard allowance of expenditures for payroll expenditures.

The Debt Service Fund has a fund balance of \$692,002. The net change during the current year in the debt service fund was \$196,003. The increase was due to the collection funds and required transfers in greater than the amount due for FY2022. The additional monies collected will be used to prepay the debt.

The Capital Projects Fund has a fund balance of \$1,136,471. The net change in fund balance during the current year in the capital projects fund was \$314,067. The increase was due primarily to the transfer of funds for future projects. There were minimal capital projects and other improvements in FY2022.

The Nonmajor Funds have a fund balance of \$128,467 at the end of the year. The net change during the current year in the funds was \$110,982. The increase was primarily due to the Beautification Fund being established as a non-major fund in the current year and an increase in Ocean State parking receipts in the current year.

General Fund Budgetary Highlights

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

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental funds as of September 30, 2022, amounts to \$8,757,030 (net of accumulated depreciation). This represents a net decrease of \$319,495. The current year additions include \$97,147 of buildings and improvements and \$151,013 of equipment. The Town had one project under construction at the end of 2022. Current year depreciation expense totaled \$563,319.

The following summaries the Town's capital assets as of September 30, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|---------------------|
| Capital assets, not being depreciated – | | |
| Land | \$ 897,742 | \$ 897,742 |
| Construction in progress | - | 3,138 |
| Total capital assets, not being depreciated | <u>897,742</u> | <u>900,880</u> |
| Capital assets, being depreciated – | | |
| Buildings and improvements | 4,809,816 | 4,709,531 |
| Equipment | 2,616,809 | 2,470,132 |
| Infrastructure | <u>7,580,125</u> | <u>7,580,125</u> |
| Total capital assets, being depreciated | 15,006,750 | 14,759,788 |
| Less: accumulated depreciation | <u>(7,147,462)</u> | <u>(6,584,143)</u> |
| Total capital assets, being depreciated, net | <u>7,859,288</u> | <u>8,175,645</u> |
| Governmental activities capital assets, net | <u>\$ 8,757,030</u> | <u>\$ 9,076,525</u> |

Additional information on the Town's capital assets can be found in Note (7) on page 33 of this report.

Long-term Debt. At the end of the 2022 fiscal year, the Town had total bonded debt and notes payable principal outstanding of \$2,159,317.

The following summaries the Town's long-term debt (excluding the net pension liability and total OPEB liability) as of September 30, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|-------------------------------|---------------------|---------------------|
| Notes and bonds payable | \$ 2,090,000 | \$ 2,379,000 |
| Less deferred amounts: | | |
| Original issue premium | 87,007 | 100,320 |
| Original issue (discount) | <u>(17,690)</u> | <u>(22,074)</u> |
| Total notes and bonds payable | 2,159,317 | 2,457,246 |
| Capital leases | - | 31,324 |
| Compensated absences | 299,504 | 271,022 |
| Total | <u>\$ 2,458,821</u> | <u>\$ 2,759,592</u> |

The Town's long-term liabilities decreased by \$320,324 during the current fiscal year. This decrease was attributable to repayment of bonds, notes, and leases.

Additional information on the Town's long-term liabilities can be found in Note (8) on page 34 of this report.

Economic Factors and Next Year's Budgets and Rates

The Town Commission approved a millage rate of 4.6865 for Fiscal Year 2022. The millage rate for Fiscal Year 2021 was 4.5151. The taxable value of real property increased by 0.65% percent for Fiscal Year 2022 and is expected to increase in Fiscal Year 2023.

Other Factors

The Building Department continues to receive permits daily for new home construction, major and minor remodels and pool installations. The number of new homes increased by 28.57% over FY2021 and there were six (6) new pool installations in FY2022. Permit fee revenue increased by 27.38% even though overall inspections decreased 14% over FY2021. Building revenue increased by 39.93% over FY2021.

The Town continues to focus on upgrading its roads, stormwater system, parks, and services to the residents of our community. The Parking Kiosk that were installed at Ryckman Park and Ocean Park for paid parking located at Ryckman Park, Ocean Park, and the dune crossovers continues to bring in consistent revenue for Ocean Park, Ryckman Park, and dune crossover maintenance. The Police Department purchased the Milo Machine, an interactive training software system, to ensure that officers continue to be well prepared for any on-duty incidents they may encounter. The Fire Department continues to provide fire protection, emergency medical care, and other emergency and non-emergency services to the citizens within the community. Funds continue to be set aside for the repaving of roads, dune crossovers, and Community Center upgrades which enables Public Works to continue to improve the Town.

Requests for Information

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

TOWN OF MELBOURNE BEACH, FLORIDA
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2022

| | |
|---|----------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 5,112,676 |
| Investments | 459,482 |
| Receivables, net | 91,903 |
| Due from other governments | 745,844 |
| Prepays | 85,624 |
| Capital assets: | |
| Non-depreciable capital assets | 897,742 |
| Other capital assets, net of depreciation | 7,859,288 |
| Total assets | <u>\$ 15,252,559</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows related to pensions | \$ 974,813 |
| Deferred outflows related to OPEB | 8,325 |
| Total deferred outflows of resources | <u>\$ 983,138</u> |
| LIABILITIES | |
| Accounts payable | \$ 46,726 |
| Accrued payroll and employee benefits | 14,797 |
| Customer deposits | 2,629 |
| Unearned revenue | 7,725 |
| Accrued interest payable | 15,016 |
| Noncurrent liabilities: | |
| Due within one year: | |
| Bonds and notes payable | 213,000 |
| Compensated absences | 149,752 |
| Due in more than one year: | |
| Bonds and notes payable | 1,946,317 |
| Compensated absences | 149,752 |
| Total OPEB liability | 17,636 |
| Net pension liability | 1,830,421 |
| Total liabilities | <u>\$ 4,393,771</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows related to pensions | \$ 197,542 |
| Deferred inflows related to OPEB | 34,321 |
| Total deferred inflows of resources | <u>\$ 231,863</u> |
| NET POSITION | |
| Net investment in capital assets | \$ 6,597,713 |
| Restricted for: | |
| Debt service | 676,986 |
| Capital projects | 31,102 |
| Law enforcement | 20,917 |
| Fire department | 20,148 |
| Ocean Park | 66,586 |
| Beautification | 45,665 |
| Environmental Advisory | 4,904 |
| Christmas Donations | 1,293 |
| Building department education | 2,606 |
| Unrestricted | 4,142,143 |
| Total net position | <u>\$ 11,610,063</u> |

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

**TOWN OF MELBOURNE BEACH, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expense) Revenue and Changes in Net Position</u> | |
|-------------------------------|---------------------|---------------------------------|---|--|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | | <u>Capital Grants and Contributions</u> |
| Governmental activities: | | | | | |
| General government | \$ 1,341,227 | \$ 25,659 | \$ 733 | \$ - | \$ (1,314,835) |
| Public safety | 1,998,549 | 446,116 | 1,722,415 | 7,337 | 177,319 |
| Transportation | - | 750 | - | - | 750 |
| Physical environment | 489,538 | 54,978 | 115,100 | - | (319,460) |
| Culture and recreation | 163,972 | 11,695 | 150 | - | (152,127) |
| Interest on long-term debt | 97,581 | - | - | - | (97,581) |
| Total governmental activities | <u>\$ 4,090,867</u> | <u>\$ 539,198</u> | <u>\$ 1,838,398</u> | <u>\$ 7,337</u> | <u>(1,705,934)</u> |
| General revenues: | | | | | |
| Property taxes | | | | | 2,656,513 |
| Sales and use taxes | | | | | 365,382 |
| Franchise and utility taxes | | | | | 279,471 |
| Public service taxes | | | | | 349,173 |
| Insurance premium taxes | | | | | 45,792 |
| State revenue sharing | | | | | 111,791 |
| Investment earnings (loss) | | | | | 5,240 |
| Miscellaneous revenues | | | | | 6,143 |
| Total general revenues | | | | | <u>3,819,505</u> |
| Change in net position | | | | | 2,113,571 |
| Net position - beginning | | | | | 9,496,492 |
| Net position - ending | | | | | <u>\$ 11,610,063</u> |

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

**TOWN OF MELBOURNE BEACH, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022**

| | <u>General</u> | <u>American Rescue Plan</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Other Nonmajor Governmental</u> | <u>Total Governmental Funds</u> |
|--|---------------------|---------------------------------|-------------------------|-----------------------------|--|---|
| ASSETS | | | | | | |
| Equity in pooled cash and cash equivalents | \$ 2,165,829 | \$ 1,617,167 | \$ 692,002 | \$ 468,431 | \$ 169,247 | \$ 5,112,676 |
| Investments | 459,482 | - | - | - | - | 459,482 |
| Receivables, net | 91,903 | - | - | - | - | 91,903 |
| Due from other governments | 77,109 | - | - | 668,040 | 695 | 745,844 |
| Due from other funds | 36,304 | - | - | - | - | 36,304 |
| Prepaid items | 85,624 | - | - | - | - | 85,624 |
| Total assets | <u>\$ 2,916,251</u> | <u>\$ 1,617,167</u> | <u>\$ 692,002</u> | <u>\$ 1,136,471</u> | <u>\$ 169,942</u> | <u>\$ 6,531,833</u> |
| LIABILITIES | | | | | | |
| Accounts payable | \$ 41,555 | \$ - | \$ - | \$ - | \$ 5,171 | \$ 46,726 |
| Accrued liabilities | 14,797 | - | - | - | - | 14,797 |
| Customer deposits | 2,629 | - | - | - | - | 2,629 |
| Unearned revenue | 7,725 | - | - | - | - | 7,725 |
| Due to other funds | - | - | - | - | 36,304 | 36,304 |
| Total liabilities | <u>66,706</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>41,475</u> | <u>108,181</u> |
| FUND BALANCES | | | | | | |
| Nonspendable: | | | | | | |
| Prepaid items | 85,624 | - | - | - | - | 85,624 |
| Restricted for: | | | | | | |
| Fire department | 20,148 | - | - | - | - | 20,148 |
| Debt service | - | - | 692,002 | - | - | 692,002 |
| Historic preservation | - | - | - | 8,250 | - | 8,250 |
| Stormwater construction | - | - | - | 734,743 | - | 734,743 |
| Ocean state park | - | - | - | - | 66,586 | 66,586 |
| Beautification | - | - | - | - | 45,665 | 45,665 |
| Environmental advisory | - | - | - | - | 4,904 | 4,904 |
| Christmas donations | - | - | - | - | 1,293 | 1,293 |
| Law enforcement education | - | - | - | - | 20,917 | 20,917 |
| Building department education | - | - | - | - | 2,606 | 2,606 |
| Old Town Hall | - | - | - | - | 22,852 | 22,852 |
| Assigned to: | | | | | | |
| Capital improvements | - | 1,617,167 | - | 393,478 | - | 2,010,645 |
| Unassigned | 2,743,773 | - | - | - | (36,356) | 2,707,417 |
| Total fund balances | <u>2,849,545</u> | <u>1,617,167</u> | <u>692,002</u> | <u>1,136,471</u> | <u>128,467</u> | <u>6,423,652</u> |
| Total liabilities and fund balances | <u>\$ 2,916,251</u> | <u>\$ 1,617,167</u> | <u>\$ 692,002</u> | <u>\$ 1,136,471</u> | <u>\$ 169,942</u> | <u>\$ 6,531,833</u> |

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

**TOWN OF MELBOURNE BEACH, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

| | | |
|--|--------------------|-----------------------------|
| Fund balances - total governmental funds | | \$ 6,371,790 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds | | |
| Total governmental capital assets | 15,904,492 | |
| Less: accumulated depreciation | <u>(7,147,462)</u> | 8,757,030 |
| On the governmental fund statements, a net pension liability is not recorded until an amount is due and payable and the pension plan's fiduciary net position is not sufficient for payment of those benefits (no such liability exists at the end of the current fiscal year). On the Statement of Net Position, the Town's net pension liability of the defined benefit pension plans is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to pensions are also reported. | | |
| Net pension liability | (1,830,421) | |
| Deferred outflows related to pensions | 974,813 | |
| Deferred inflows related to pensions | <u>(197,542)</u> | (1,053,150) |
| On the governmental fund statements, a total OPEB liability is not recorded unless an amount is due and payable (no such liability exists at the end of the current fiscal year). On the Statement of Net Position, the Town's total OPEB liability is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to OPEB are also reported. | | |
| Total OPEB liability | (17,636) | |
| Deferred outflows related to OPEB | 8,325 | |
| Deferred inflows related to OPEB | <u>(34,321)</u> | (43,632) |
| Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities and other long-term liabilities consist of the following: | | |
| Bonds and notes payable | (2,159,317) | |
| Accrued interest payable | (15,016) | |
| Compensated absences | <u>(299,504)</u> | (2,473,837) |
| Net position of governmental activities | | <u><u>\$ 11,558,201</u></u> |

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

TOWN OF MELBOURNE BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

| | <u>General</u> | <u>American Rescue Plan</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Other Nonmajor Governmental</u> | <u>Total Governmental Funds</u> |
|--|---------------------|---------------------------------|-------------------------|-----------------------------|--|---|
| Revenues | | | | | | |
| Taxes | \$ 3,127,204 | \$ - | \$ 467,820 | \$ - | \$ - | \$ 3,595,024 |
| Licenses and permits | 195,849 | - | - | - | 7,064 | 202,913 |
| Intergovernmental | 414,086 | 1,651,815 | - | - | 568 | 2,066,469 |
| Charges for services | 113,459 | - | - | - | 175,421 | 288,880 |
| Fines and forfeitures | 33,159 | - | - | - | 762 | 33,921 |
| Investment income (loss) | 5,240 | - | - | - | - | 5,240 |
| Miscellaneous | 6,612 | - | - | - | 9,473 | 16,085 |
| Total revenues | <u>3,895,609</u> | <u>1,651,815</u> | <u>467,820</u> | <u>-</u> | <u>193,288</u> | <u>6,208,532</u> |
| Expenditures | | | | | | |
| Current: | | | | | | |
| General government | 938,415 | 6,210 | - | 50,000 | - | 994,625 |
| Public safety | 1,693,002 | - | - | - | 3,637 | 1,696,639 |
| Parks and recreation | 18,067 | - | - | - | 57,769 | 75,836 |
| Physical environment | 349,537 | 2,600 | - | 301 | 91,749 | 444,187 |
| Capital outlay | 179,584 | - | - | 59,837 | 8,739 | 248,160 |
| Debt service | | | | | | |
| Principal | 31,324 | - | 289,000 | - | - | 320,324 |
| Interest and fiscal charges | 1,676 | - | 104,245 | - | - | 105,921 |
| Debt issuance costs | - | - | 2,747 | - | - | 2,747 |
| Total expenditures | <u>3,211,605</u> | <u>8,810</u> | <u>395,992</u> | <u>110,138</u> | <u>161,894</u> | <u>3,888,439</u> |
| Excess (deficiency) of revenues over expenditures | <u>684,004</u> | <u>1,643,005</u> | <u>71,828</u> | <u>(110,138)</u> | <u>31,394</u> | <u>2,320,093</u> |
| Other financing sources (uses) | | | | | | |
| Transfers in | 26,071 | - | 125,295 | 425,293 | 79,588 | 656,247 |
| Transfers out | (628,201) | (25,838) | (1,120) | (1,088) | - | (656,247) |
| Proceeds from sale of capital assets | 2,500 | - | - | - | - | 2,500 |
| Total other financing sources (uses) | <u>(599,630)</u> | <u>(25,838)</u> | <u>124,175</u> | <u>424,205</u> | <u>79,588</u> | <u>2,500</u> |
| Net change in fund balances | <u>84,374</u> | <u>1,617,167</u> | <u>196,003</u> | <u>314,067</u> | <u>110,982</u> | <u>2,322,593</u> |
| Fund balances, beginning of year | 2,765,171 | - | 495,999 | 822,404 | 17,485 | 4,101,059 |
| Fund balances, end of year | <u>\$ 2,849,545</u> | <u>\$ 1,617,167</u> | <u>\$ 692,002</u> | <u>\$ 1,136,471</u> | <u>\$ 128,467</u> | <u>\$ 6,423,652</u> |

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

**TOWN OF MELBOURNE BEACH, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

| | |
|---|----------------------------|
| Net change in fund balances - total governmental funds | \$ 2,322,593 |
| Differences in amounts reported for governmental activities in the statement of activities are: | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives. | |
| Capital outlay expenditures | 248,160 |
| Depreciation expense | (563,319) |
| Bond and loan proceeds are reported as financing sources in the governmental funds. However, the issuance of debt is reported as long-term debt payable in the statement of net position. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment of debt principal reduces long-term liabilities in the statement of net position. These amounts are as follows: | |
| Principal repayment of general long-term debt | 320,324 |
| In the statement of activities, only the gain/loss on sale/disposal of capital assets is reported. However, in governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold/disposed. | |
| | (4,336) |
| Governmental funds report contributions to defined benefit pension plans as expenditures. However, in the Statement of Activities, the amount contributed to defined benefit pension plans reduces future net pension liability. Also included in pension expense in the Statement of Activities are amounts required to be amortized. | |
| Change in net pension liability and deferred inflows/outflows related to pensions | (191,294) |
| Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. These adjustments are as follows: | |
| Change in accrued interest on long-term debt | 11,087 |
| Change in total OPEB liability | (1,162) |
| Change in compensated absences liability | (28,482) |
| Change in net position of governmental activities | <u>\$ 2,113,571</u> |

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

TOWN OF MELBOURNE BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget - Positive (Negative) |
|--|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues | | | | |
| Taxes | \$ 3,013,120 | \$ 3,013,120 | \$ 3,127,204 | \$ 114,084 |
| Licenses and permits | 166,550 | 166,550 | 195,849 | 29,299 |
| Intergovernmental | 306,100 | 306,100 | 414,086 | 107,986 |
| Charges for services | 74,208 | 74,208 | 113,459 | 39,251 |
| Fines and forfeitures | 19,100 | 19,100 | 33,159 | 14,059 |
| Investment income (loss) | 1,275 | 1,275 | 5,240 | 3,965 |
| Miscellaneous | 5,700 | 5,700 | 6,612 | 912 |
| Total revenues | <u>3,586,053</u> | <u>3,586,053</u> | <u>3,895,609</u> | <u>309,556</u> |
| Expenditures | | | | |
| Current: | | | | |
| General Government: | | | | |
| Legislative | 136,448 | 118,449 | 117,986 | 463 |
| Executive | 176,373 | 144,873 | 140,254 | 4,619 |
| Finance | 123,003 | 154,503 | 154,142 | 361 |
| Legal | 98,250 | 118,250 | 117,706 | 544 |
| Grants & special projects | 20,000 | 18,000 | 12,156 | 5,844 |
| Contingency and other | 572,388 | 491,997 | 491,997 | - |
| Public Safety: | | | | |
| Police | 1,204,451 | 1,216,450 | 1,212,693 | 3,757 |
| Fire | 326,065 | 327,047 | 291,202 | 35,845 |
| Building | 163,904 | 239,973 | 239,317 | 656 |
| Code enforcement | 18,174 | 18,174 | 17,004 | 1,170 |
| Parks and recreation | 24,100 | 37,770 | 31,490 | 6,280 |
| Physical environment | 410,651 | 399,442 | 385,658 | 13,784 |
| Total expenditures | <u>3,273,807</u> | <u>3,284,928</u> | <u>3,211,605</u> | <u>73,323</u> |
| Excess (deficiency) of revenues over expenditures | <u>312,246</u> | <u>301,125</u> | <u>684,004</u> | <u>382,879</u> |
| Other financing sources (uses) | | | | |
| Transfers in | - | 42,817 | 26,071 | (16,746) |
| Transfers out | - | (644,948) | (628,201) | 16,747 |
| Proceeds from sale of capital assets | - | - | 2,500 | 2,500 |
| Total other financing sources (uses) | <u>-</u> | <u>(602,131)</u> | <u>(599,630)</u> | <u>2,501</u> |
| Net change in fund balances | <u>312,246</u> | <u>(301,006)</u> | <u>84,374</u> | <u>385,380</u> |
| Fund balances, beginning of year | 2,765,171 | 2,765,171 | 2,765,171 | - |
| Fund balances, end of year | <u>\$ 3,077,417</u> | <u>\$ 2,464,165</u> | <u>\$ 2,849,545</u> | <u>\$ 385,380</u> |

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

TOWN OF MELBOURNE BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ARPA FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|-------------------------|--------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Intergovernmental | \$ - | \$ - | \$ 1,651,815 | \$ 1,651,815 |
| Total revenues | <u>-</u> | <u>-</u> | <u>1,651,815</u> | <u>1,651,815</u> |
| Expenditures | | | | |
| Current: | | | | |
| General Government: | | | | |
| Finance | - | 6,210 | 6,210 | - |
| Physical environment | - | 2,601 | 2,600 | 1 |
| Total expenditures | <u>-</u> | <u>8,811</u> | <u>8,810</u> | <u>1</u> |
| Excess (deficiency) of revenues over expenditures | <u>-</u> | <u>(8,811)</u> | <u>1,643,005</u> | <u>1,651,816</u> |
| Other financing sources (uses) | | | | |
| Transfers out | - | (25,838) | (25,838) | - |
| Total other financing sources (uses) | <u>-</u> | <u>(25,838)</u> | <u>(25,838)</u> | <u>-</u> |
| Net change in fund balances | <u>-</u> | <u>(34,649)</u> | <u>1,617,167</u> | <u>1,651,816</u> |
| Fund balances, beginning of year | - | - | - | - |
| Fund balances, end of year | <u>\$ -</u> | <u>\$ (34,649)</u> | <u>\$ 1,617,167</u> | <u>\$ 1,651,816</u> |

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

**TOWN OF MELBOURNE BEACH, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2022**

| | Municipal Police Officers' Retirement Trust Fund |
|--|---|
| ASSETS | |
| Cash and cash equivalents with trustee | \$ 105,032 |
| Receivables | |
| Employer contributions receivable | 696 |
| Investments, at fair value | |
| Mutual and pooled funds | 3,820,374 |
| Total assets | <u>\$ 3,926,102</u> |
| LIABILITIES | |
| Prepaid employer contributions | <u>\$ 13,983</u> |
| NET POSITION | |
| Restricted for pensions | <u>\$ 3,912,119</u> |

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

TOWN OF MELBOURNE BEACH, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

| | Municipal Police Officers' Retirement Trust Fund |
|--|---|
| Additions | |
| Contributions: | |
| Employer | \$ 197,000 |
| Plan members | 31,345 |
| State - insurance premium taxes | 45,792 |
| Total contributions | <u>274,137</u> |
| Investment earnings: | |
| Interest and dividends | 109,261 |
| Net appreciation (depreciation) in fair value of investments | (867,387) |
| Total investment earnings | <u>(758,126)</u> |
| Less: investment expense | (20,500) |
| Net investment income (loss) | <u>(778,626)</u> |
| Total additions | <u>(504,489)</u> |
| Deductions | |
| Benefit payments | 260,771 |
| Administrative expenses | 16,411 |
| Total deductions | <u>277,182</u> |
| Change in net position | <u>(781,671)</u> |
| Net position restricted for pensions, beginning of year | 4,693,790 |
| Net position restricted for pensions, end of year | <u><u>\$ 3,912,119</u></u> |

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

TOWN OF MELBOURNE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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

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

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

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

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

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

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

TOWN OF MELBOURNE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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

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

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

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

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

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

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

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

TOWN OF MELBOURNE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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

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

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

The Town reports the following major governmental funds:

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

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

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

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

Additionally, the Town reports the following fiduciary fund:

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

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

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

TOWN OF MELBOURNE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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

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

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

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

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

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

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

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

TOWN OF MELBOURNE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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

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

Capital assets are defined by the Town as assets with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost, if purchased or constructed. Contributed assets, including donations and easements or other intangible rights of use, are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are only capitalized if they meet the dollar threshold above for capitalization. Maintenance and repairs of capital assets are charged to operating expenses.

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

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

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

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

(l) **Deferred outflows/inflows of resources**—In addition to assets, the statement of financial position will, if required, report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, this category consisted of deferred amounts related to pension, as discussed further in Note (9), and OPEB, as discussed further in Note (10).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, this category consisted of deferred amounts related to pension, as discussed further in Note (9), and OPEB, as discussed further in Note (10).

TOWN OF MELBOURNE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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

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

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

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

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

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

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

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

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

TOWN OF MELBOURNE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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

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

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

(3) **Property Tax Calendar:**

Under Florida law, the assessment of all properties and collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser. State laws regulating tax assessment are designed to ensure a consistent property valuation method statewide and to permit municipalities to levy property taxes at a rate of up to 10 mills. For the fiscal year ended September 30, 2022, the millage rate assessed by the Town was 4.687 per \$1,000.

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

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

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

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

| | |
|-------------------------------|------------------|
| Valuation Date: | January 1, 2021 |
| Preliminary Tax Roll Date: | July 1, 2021 |
| Commission Tax Rate Hearings: | September 2021 |
| Levy Date: | November 1, 2021 |
| Due Date: | March 31, 2022 |
| Lien Date: | June 1, 2022 |

TOWN OF MELBOURNE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

(4) Deposits and Investments:

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

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

As of September 30, 2022, all Town deposits were covered by private bank acquired insurance, Securities Investor Protection Corporation (SIPC) insurance, private broker/dealer acquired insurance, Federal Depository Insurance Corporation (FDIC) insurance, and/or the State of Florida collateral pool established under the Florida Security for Public Deposits Act (the Act). The Act established guidelines for qualification and participation by banks and savings associations, procedures for administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified depository must pledge at least 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to 125% may be required if deemed necessary.

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

The Town is a member of Florida PRIME, the Local Government Surplus Funds Trust Fund Investment Pool (the Pool), that is administered by the State Board of Administration of Florida (SBA). This pool is a “2a-7 like” pool, which has the characteristics of a money market fund. Therefore, the fair value of investments held at the State Board of Administration Pool is the same as the fair value of the pooled shares. The Regulatory Oversight of the Local Government Surplus Funds Trust fund is governed by Ch. 19-7 of the Florida Administrative Code, which identifies the Rules for the State Board of Administration. These rules provide guidance and establish the general procedure for the administration of the Local Government Surplus Funds Trust Fund. The Local Government Surplus Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedure consistent with the requirements for a 2a-7 fund. As of September 30, 2022, the investment pool had a weighted average of 21 days to maturity.

The Town held no assets or investments carried at fair value at September 30, 2022, and subject to the required disclosures of GASB 72.

Town Investment Portfolio

As of September 30, 2022, the Town’s governmental investment portfolio is composed of the following investments:

| Investment Type | Credit Quality Rating (S&P) | Carrying Value | Maturities (in Years) | | |
|-----------------|-----------------------------|----------------|-----------------------|------|--------|
| | | | Less Than 1 | 1-5 | Over 5 |
| SBA funds | AAAm | \$ 459,482 | \$ 459,482 | \$ - | \$ - |

TOWN OF MELBOURNE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

(4) Deposits and Investments: (Continued)

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

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

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

Custodial Credit Risk: All demand deposits are held with qualified public depositories, as defined above. In the case of investments, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2022, the Town’s investment of \$459,482 in SBA funds are backed by the full faith and credit of the State of Florida, or explicitly guaranteed by the State of Florida.

Municipal Police Officers’ Retirement Trust Fund Investment Portfolio

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

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

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

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

| <u>Investment Type</u> | <u>Carrying Value</u> | <u>Maturities (in years) Less Than 1</u> | <u>Credit Rating Range (S&P)</u> | <u>Fair Value Hierarchy Classification</u> |
|-----------------------------|-----------------------|--|--------------------------------------|--|
| Mutual funds – fixed income | \$ 1,313,200 | \$ 1,313,200 | NR | Level 1 |
| Mutual funds – equity | 2,507,174 | 2,507,174 | NR | Level 1 |
| Total Portfolio | <u>\$ 3,820,374</u> | <u>\$ 3,820,374</u> | | |

TOWN OF MELBOURNE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. The established performance objectives of the Pension Plan require investment maturities to provide sufficient liquidity to pay obligations as they become due. At September 30, 2022, all investments were held in cash or other assets that could be liquidated at any time.

Credit Risk: Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The Pension Plan utilizes portfolio diversification in order to limit investments to the highest rated securities as rated by nationally recognized rating agencies. All investments are rated within the investment policy guidelines at September 30, 2022.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Police Officer’s Retirement Trust Fund policy does not allow more than five (5) percent of its assets in the common stock, capital stock, or convertible securities of any one issuing company. At September 30, 2022, the investment portfolios met these limitations.

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

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At September 30, 2022, the investment portfolio had no foreign investments.

(5) **Accounts Receivable:**

The Town’s receivables consists of \$91,903 at September 30, 2022, all of which was included in the general fund and governmental activities. There was no allowance for doubtful accounts at September 30, 2022.

In addition to accounts receivable, the Town also recorded \$745,844 in due from other governments at September 30, 2022 of which \$668,735 relates to Federal and State reimbursements related to Hurricanes Matthew and Irma, both of which impacted the Town in fiscal year 2017. These amounts reflect management’s best estimate of recoveries based on costs incurred and approved project worksheets, and are subject to change pending adjustments made by the respective Federal and/or State agencies.

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

The outstanding balances between funds are short-term loans to cover short-term cash flow needs and expected to be repaid in full over the course of the next fiscal year. Individual fund interfund receivables and payables for the primary government at September 30, 2022, are comprised of the following:

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

TOWN OF MELBOURNE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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

For the year ended September 30, 2022, interfund transfers consisted of the following:

| | Transfers Out: | | | | |
|----------------------|-----------------------|------------------|-------------------------|---------------------|-------------------|
| Transfers In: | General Fund | ARPA | Capital Projects | Debt Service | Total |
| General Fund | \$ - | \$ 25,838 | \$ - | \$ 233 | \$ 26,071 |
| Beautification | 78,500 | - | - | - | 78,500 |
| Debt Service | 125,295 | - | - | - | 125,295 |
| Capital Projects | 424,406 | - | - | 887 | 425,293 |
| Donations Fund | - | - | 1,088 | - | 1,088 |
| Total | \$ 628,201 | \$ 25,838 | \$ 1,088 | \$ 1,120 | \$ 656,247 |

The transfer from the general fund to the debt service fund represents the requirements for debt service. The transfers from the general fund to the capital projects fund represent capital expenditures paid for by the general fund. The transfer from the general fund to the beautification fund represents amounts to be used on beautification in the future. The transfer from the ARPA fund to the general fund represents an amount to help cover payroll expenditures. The transfer from the capital projects fund to the donations fund was for the closing out of an inactive balance. The transfers from the debt service fund to the general fund and the capital projects fund were for general expenditures and capital expenditures paid for by the debt service fund.

(7) Capital Assets:

Capital asset activity for the fiscal year ended September 30, 2022, is as follows: 3,138

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|--------------------------|---------------------|-------------------|-----------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated – | | | | |
| Land | \$ 897,742 | \$ - | \$ - | \$ 897,742 |
| Construction in progress | 3,138 | - | (3,138) | - |
| Total capital assets, not being depreciated | 900,880 | - | (3,138) | 897,742 |
| Capital assets, being depreciated – | | | | |
| Buildings and improvements | 4,709,531 | 97,147 | - | 4,809,816 |
| Equipment | 2,470,132 | 151,013 | (4,336) | 2,616,809 |
| Infrastructure | 7,580,125 | - | - | 7,580,125 |
| Total capital assets, being depreciated | 14,759,788 | 248,160 | (4,336) | 15,006,750 |
| Less: accumulated depreciation | (6,584,143) | (563,319) | - | (7,147,462) |
| Total capital assets, being depreciated, net | 8,175,645 | (315,159) | (4,336) | 7,859,288 |
| Governmental activities capital assets, net | \$ 9,076,525 | \$ (315,159) | \$ (4,336) | \$ 8,757,030 |

Depreciation expense was charged to functions/programs as follows:

| | |
|--|-------------------|
| Governmental activities: | |
| General governmental | \$ 312,622 |
| Public safety | 110,616 |
| Physical environment | 51,945 |
| Culture and recreation | 88,136 |
| Total depreciation expense - governmental activities | \$ 563,319 |

TOWN OF MELBOURNE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

(8) Long-Term Debt:

For the fiscal year ended September 30, 2022, a summary of the long-term liability transactions for the Town is as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--|------------------------------|-------------------|---------------------|---------------------------|--------------------------------|
| Governmental activities: | | | | | |
| Notes and bonds payable | \$ 2,379,000 | \$ - | \$ (289,000) | \$ 2,090,000 | \$ 213,000 |
| Less deferred amounts: | | | | | |
| Original issue premium | 100,320 | - | (13,313) | 87,007 | - |
| Original issue (discount) | (22,074) | - | 4,384 | (17,690) | - |
| Total notes and bonds payable | <u>2,457,246</u> | <u>-</u> | <u>(297,929)</u> | <u>2,159,317</u> | <u>213,000</u> |
| Financed acquisitions | 31,324 | - | (31,324) | - | - |
| Compensated absences | 271,022 | 131,287 | (102,805) | 299,504 | 149,752 |
| Governmental activities – Total long-term liabilities | <u>\$ 2,759,592</u> | <u>\$ 131,287</u> | <u>\$ (432,058)</u> | <u>\$ 2,458,821</u> | <u>\$ 362,752</u> |

Notes and bonds payable at September 30, 2022, are comprised of the following obligations:

| | |
|--|---------------------|
| Series 2017 Florida Municipal Loan Council Revenue Refunding Bonds, dated September 20, 2017, originally issued to partially defease the Florida Municipal Loan Council Revenue Bonds, Series 2005B, due in payments of principal plus interest ranging from 3.00% to 5.00% semiannually on April 1 and October 1 each year until final maturity on October 1, 2029. | \$ 670,000 |
| Series 2009 Stormwater Improvement note payable, dated August 20, 2009, due in payments of principal plus interest at 4.23% semiannually on January 1 and July 1 through July 1, 2028. Repayment of loan balance is secured by a pledge of real property ad valorem tax revenues assessed at 0.9999 mills on all property within the Town. | 1,420,000 |
| Total long-term debt, governmental activities | <u>\$ 2,090,000</u> |

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

| <u>Year Ending September 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------------|---------------------|-------------------|---------------------|
| 2023 | \$ 213,000 | \$ 93,491 | \$ 306,491 |
| 2024 | 307,000 | 80,231 | 387,231 |
| 2025 | 321,000 | 66,466 | 387,466 |
| 2026 | 331,000 | 52,194 | 383,194 |
| 2027 | 341,000 | 37,500 | 378,500 |
| 2028-2032 | 577,000 | 29,707 | 606,707 |
| Total | <u>\$ 2,090,000</u> | <u>\$ 359,589</u> | <u>\$ 2,449,589</u> |

TOWN OF MELBOURNE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

(9) Employees' Retirement Plans:

A. Deferred Compensation Plan

The Town offers employees' participation in an unqualified deferred compensation plan created in accordance with Internal Revenue Code Section 457 to receive employee contributions, which is administered by Nationwide Retirement Solutions, P.O. Box 182797, Columbus, OH, 43218-2797. Annual contributions are limited to the amount allowed by federal tax laws. Employees immediately vest in the elective deferral contributions made to the 457 plan. The Town may also contribute to the plan for participants; these contributions vest at the time such contributions are made to the plan. For the year ended September 30, 2022, employee contributions were \$13,533 and employer contributions were \$11,248 to the 457 plan.

B. Florida Retirement System

Plan Description and Administration

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

In addition, all regular employees of the Town are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended September 30, 2022, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

TOWN OF MELBOURNE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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

Benefits Provided and Employees Covered

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

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

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

Financial Statements

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

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

TOWN OF MELBOURNE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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

Contributions

The Town participates in certain classes of FRS membership. Each class has descriptions and contribution rates in effect during the year ended September 30, 2022, as follows (contribution rates are in agreement with the actuarially determined rates):

| FRS Membership Plan & Class | Through June 30, 2022 | After June 30, 2022 |
|-----------------------------|--------------------------|------------------------|
| Regular Class | 10.82% | 11.91% |

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

For the plan year ended June 30, 2022, actual contributions made for Council employees participating in FRS and HIS were as follows:

| | |
|------------------------------|-----------|
| Town Contributions – FRS | \$ 32,946 |
| Town Contributions – HIS | 7,123 |
| Employee Contributions – FRS | 12,873 |

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

At September 30, 2022, the Town reported a liability related to FRS and HIS as follows:

| Plan | Net Pension Liability |
|-------|--------------------------|
| FRS | \$ 287,276 |
| HIS | 124,681 |
| Total | \$ 411,957 |

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2022 and June 30, 2021, the Town's proportionate share of the FRS and HIS net pension liabilities were as follows:

| Plan | 2022 | 2021 |
|------|--------------|--------------|
| FRS | 0.000772082% | 0.000742826% |
| HIS | 0.001177166% | 0.001186821% |

For the plan year ended June 30, 2022, pension expense was recognized related to the FRS and HIS plans as follows:

| | |
|-------|-----------|
| FRS | \$ 8,384 |
| HIS | 49,143 |
| Total | \$ 57,527 |

TOWN OF MELBOURNE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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

Deferred outflows/inflows related to pensions:

At September 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | FRS | | HIS | |
|---|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 13,644 | \$ - | \$ 3,784 | \$ (549) |
| Changes of assumptions | 35,379 | - | 7,147 | (19,288) |
| Net difference between projected and actual investment earnings | 18,969 | - | 181 | - |
| Change in Town's proportionate share | 29,600 | (376) | 10,825 | (11,817) |
| Contributions subsequent to measurement date | 8,930 | - | 2,127 | - |
| | <u>\$ 106,522</u> | <u>\$ (376)</u> | <u>\$ 24,064</u> | <u>\$ (31,654)</u> |

The above amounts for deferred outflows of resources for contributions related to pensions resulting from Town contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

| | FRS | HIS | Total |
|------------|------------------|-------------------|------------------|
| 2023 | \$ 25,861 | \$ (2,069) | \$ 23,792 |
| 2024 | 14,866 | (857) | 14,009 |
| 2025 | 1,106 | 153 | 1,259 |
| 2026 | 52,071 | (2,168) | 49,903 |
| 2027 | 3,312 | (3,500) | (188) |
| Thereafter | - | (1,276) | (1,276) |
| Total | <u>\$ 97,216</u> | <u>\$ (9,717)</u> | <u>\$ 87,499</u> |

Actuarial assumptions:

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

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.40%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 6.70%. This rate did not change from the prior year rate. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 2.16% was used to determine the total pension for the program. This rate decreased from the prior year rate, which was 2.21%. Mortality assumptions for both plans were based on the PUB-2010 base table varies by member category and sex, projected generationally with Scale MP-2018 details.

TOWN OF MELBOURNE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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

Long-term expected rate of return:

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Annual Arithmetic Expected Rate of Return</u> |
|-----------------------|--------------------------|--|
| Cash | 1.0% | 2.6% |
| Fixed income | 19.8% | 4.4% |
| Global equities | 54.0% | 8.8% |
| Real estate | 10.3% | 7.4% |
| Private equity | 11.1% | 12.0% |
| Strategic investments | 3.8% | 6.2% |
| Total | <u>100.0%</u> | |

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

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

| <u>Plan</u> | <u>Current Discount Rate</u> | <u>NPL with 1% Decrease</u> | <u>NPL at Current Discount Rate</u> | <u>NPL with 1% Increase</u> |
|-------------|------------------------------|-----------------------------|-------------------------------------|-----------------------------|
| FRS | 6.70% | \$ 496,825 | \$ 287,276 | \$ 112,069 |
| HIS | 3.54% | 142,645 | 124,681 | 109,816 |

C. Municipal Police Officers' Retirement Trust Fund

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

Plan Description and Administration

All full-time police officers are eligible to participate in the Police Officers' Pension Plan (the Plan). This is a single employer, defined benefit pension plan. Benefit provisions and other requirements of the plan are established by Florida Statutes and Town Ordinance 2012-02. It is accounted for as a retirement trust fund and reported on herein as part of the Town's reporting entity. The plan is administered through its own Board of Trustees. Pension plan data is provided from an actuarial report as of October 1, 2022.

TOWN OF MELBOURNE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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

Benefits Provided and Employees Covered

The Plan provides retirement, disability and death benefits to plan participants and beneficiaries. No cost of living adjustment is provided to retirees and beneficiaries. The Plan's Board of Trustees has contracted with an actuary to provide an actuarial valuation of each plan as of October 1 of every other year. Current membership in the Plan was composed of the following at October 1, 2022:

| | |
|--------------------------|------------------|
| Inactive participants | 9 |
| Active participants | 3 |
| Retired participants | <u>11</u> |
| Total current membership | <u><u>23</u></u> |

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

Financial Statements

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

Contributions

The participant contribution rates for the Plan are established by and may be amended by the Town Commission. Employees covered under the plan are required to make contributions of 5% of their compensation. The Town's annual required contribution for the current year was determined as part of the October 1, 2022 actuarial valuations. The Town is required under the Florida Protection of Public Employee Retirement Benefits Act to contribute a payment which represents annual normal cost plus amortization of the unfunded actuarial accrued liability over various periods as prescribed by law. The Town's contributions (and if applicable, any liquidations of a net pension obligation) to the Plan are funded by the General Fund.

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

Contributions to the Plan for the year ended September 30, 2022, were as follows:

| | |
|------------------------|--------------------------|
| Employee contributions | \$ 31,345 |
| Town contributions | 197,000 |
| State contributions | <u>45,792</u> |
| Total contributions | <u><u>\$ 274,137</u></u> |

Investment Policy

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

TOWN OF MELBOURNE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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

Net Pension Liability

At September 30, 2022, the components of the net pension liability for the Plan were as follows:

| | |
|--|--------------|
| Total pension liability | \$ 5,330,583 |
| Plan fiduciary net position | (3,912,119) |
| Net pension liability | \$ 1,418,464 |
| | |
| Plan fiduciary net position as percentage of total pension liability | 73.39% |

The total pension liability was determined by an actuarial valuation as of October 1, 2022, with a measurement date of September 30, 2022, using the following actuarial assumptions to all measurement periods.

| | |
|---------------------------|---------------|
| Inflation | 2.50% |
| Salary increases | Service based |
| Discount rate | 6.70% |
| Investment rate of return | 6.70% |

Mortality rate:

Mortality Rate Healthy Active Lives:

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

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

Mortality Rate Healthy Retiree Lives:

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

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

Mortality Rate Beneficiary Lives:

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

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

Mortality Rate Disabled Lives:

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

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

The most recent actuarial experience study used to review the other significant assumptions was dated October 12, 2022.

TOWN OF MELBOURNE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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

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

Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of September 30, 2022, are summarized in the following table:

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

Discount rate:

The discount rate used to measure the total pension liability for the pension plan was 6.70%. The projection of cash flows used to determine the discount rate assumed the plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF MELBOURNE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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

Changes in net pension liability:

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

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a - b) |
|--|--|--|--|
| Beginning Balance | \$ 4,932,747 | \$ 4,693,790 | \$ 238,957 |
| Changes for year: | | | |
| Service cost | 175,753 | - | 175,753 |
| Interest | 343,490 | - | 343,490 |
| Differences between expected/actual experience | 5,375 | - | 5,375 |
| Change in assumptions | 133,989 | - | 133,989 |
| Contributions – employer | - | 197,000 | (197,000) |
| Contributions – state | - | 45,792 | (45,792) |
| Contributions – employee | - | 31,345 | (31,345) |
| Net investment income | - | (778,626) | 778,626 |
| Benefit payments, including refunds | (260,771) | (260,771) | - |
| Administrative expenses | - | (16,411) | 16,411 |
| Net changes | <u>397,836</u> | <u>(781,671)</u> | <u>(1,179,507)</u> |
| Ending Balance | <u>\$ 5,330,583</u> | <u>\$ 3,912,119</u> | <u>\$ 1,418,464</u> |

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

The following presents the net pension liability (asset) of the Town calculated using the discount rate of 6.70%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1% lower (5.70%) or 1% higher (7.70%) than the current rate:

| Town's Net Pension Liability (Asset) | 1% Decrease 5.70% | Current Discount Rate 6.70% | 1% Increase 7.70% |
|--|------------------------------|--|------------------------------|
| Municipal Police Officers' Retirement Trust Fund | \$ 2,048,861 | \$ 1,418,464 | \$ 892,234 |

Money-weighted rate of return:

For the year ended September 30, 2022, the annual money-weighted rate of return on Plan investments, net of pension plan investment expense was as follows:

Annual money-weighted rate of return -16.71%

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

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

For the year ended September 30, 2022, the Town recognized pension expense of \$417,420 in the Plan.

TOWN OF MELBOURNE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

(9) Employees' Retirement Plans: (Continued)

At September 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 71,057 | \$ (149,015) |
| Changes of assumptions | 217,501 | (16,497) |
| Net difference between projected and actual investment earnings | 555,669 | - |
| | \$ 844,227 | \$ (165,512) |

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

| | | |
|-------|----|---------|
| 2023 | \$ | 199,153 |
| 2024 | | 116,467 |
| 2025 | | 142,617 |
| 2026 | | 220,478 |
| 2027 | | - |
| Total | \$ | 678,715 |

(10) Other Post-Employment Benefits (OPEB):

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

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

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

TOWN OF MELBOURNE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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

Plan Membership—At October 1, 2021, the date of the latest actuarial valuation, plan participation consisted of the following:

| | |
|--------------------|----|
| Active Employees | 20 |
| Inactive Employees | - |
| | 20 |
| | 20 |

Total OPEB Liability—The Town’s total OPEB liability of \$17,636 was measured as of September 30, 2022, and was determined by an actuarial valuation as of that date utilizing the Alternative Measurement Method for small plans.

Actuarial Assumptions and Other Inputs—The total OPEB liability in the September 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

| | |
|----------------------------|-------|
| Salary increases | 3.00% |
| Discount rate | 4.77% |
| Healthcare cost trend rate | 8.00% |
| Age-related morbidity rate | 3.50% |

The Town does not have a dedicated Trust to pay retiree healthcare benefits. The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index as of September 30, 2022.

Mortality rates were based on the sex-distinct rates set forth in the PUB-2010 Mortality Table (without income adjustments) for general employees, with full generational improvements in mortality using Scale MP-2020.

For the fiscal year ended September 30, 2022, changes in the OPEB liability were as follows:

| | Total OPEB Liability |
|--|-----------------------------|
| Balance at September 30, 2021 | \$ 45,311 |
| Changes for a year: | |
| Service cost | 1,732 |
| Interest | 2,237 |
| Demographic gain/loss | (1,359) |
| Changes of assumptions | (29,985) |
| Benefit payments – implicit rate subsidy | (300) |
| Net changes | (27,675) |
| Balance at September 30, 2022 | \$ 17,636 |

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

The following presents the total OPEB liability of the Town calculated using the discount rate of 4.77%, as well as what the Town’s total OPEB liability would be if it were calculated using a discount rate that is 1% lower (3.77%) or 1% higher (5.77%) than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|----------------------|--------------------|------------------------------|--------------------|
| Total OPEB Liability | \$ 19,686 | \$ 17,636 | \$ 15,848 |

TOWN OF MELBOURNE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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

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

The following presents the total OPEB liability of the Town as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates (8.00% graded down to 5.00%):

| | <u>1% Decrease</u> | <u>Current Trend Rates</u> | <u>1% Increase</u> |
|----------------------|--------------------|--------------------------------|--------------------|
| Total OPEB Liability | \$ 15,252 | \$ 17,636 | \$ 20,531 |

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

For the year ended September 30, 2022, the Town recognized OPEB expense of \$74,311. At September 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|------------------------|---|--|
| Demographic gain/loss | \$ 1,359 | \$ 4,536 |
| Changes of assumptions | 6,966 | 29,785 |
| Total | \$ 8,325 | \$ 34,321 |

Deferred outflows for contributions subsequent to the measurement date will be recognized in fiscal year 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year ended September 30:</u> | <u>Amortization</u> |
|---------------------------------|---------------------|
| 2023 | \$ 2,507 |
| 2024 | 2,507 |
| 2025 | 2,507 |
| 2026 | 2,507 |
| 2027 | 2,507 |
| Thereafter | 13,461 |

(11) **Risk Management:**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in coverage from the prior year.

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

TOWN OF MELBOURNE BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

(12) **Commitments and Contingencies:**

The Town is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2022. The outcomes of established claims are included in these financial statements. In the opinion of the Town's legal counsel, no legal proceedings are pending or threatened against the Town which are not covered by applicable insurance which would inhibit its ability to perform its operations or materially affect its financial condition.

(13) **Recent Accounting Pronouncements:**

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

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

- (b) GASB issued Statement No. 101, *Compensated Absences*, in June 2022. GASB Statement No. 101 amends various provisions regarding the calculation methodology and required disclosures related to the liability for compensated absences. The provisions for GASB 101 are effective for fiscal years beginning after December 15, 2023.

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

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|------------------|------------------|------------------|------------------|
| Total OPEB Liability | | | | |
| Service cost | \$ 1,732 | \$ 5,108 | \$ 5,385 | \$ 3,621 |
| Interest | 2,237 | 1,110 | 750 | 1,020 |
| Demographic gain/loss | (1,359) | - | (4,241) | - |
| Changes of assumptions | (29,985) | (1,463) | 9,070 | 183 |
| Benefit payments - implicit rate subsidy | (300) | (46) | (18) | (56) |
| Net change in total OPEB liability | <u>(27,675)</u> | <u>4,709</u> | <u>10,946</u> | <u>4,768</u> |
| Total OPEB liability - beginning of year | <u>45,311</u> | <u>40,602</u> | <u>29,656</u> | <u>24,888</u> |
| Total OPEB liability - end of year | <u>\$ 17,636</u> | <u>\$ 45,311</u> | <u>\$ 40,602</u> | <u>\$ 29,656</u> |

Notes to Schedule

Valuation date: 10/1/2021 10/1/2019 10/1/2019 10/1/2018

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

4.77% 2.43% 2.14% 3.58%

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

**TOWN OF MELBOURNE BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND
SEPTEMBER 30, 2022**

| For the year ended September 30, | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total Pension Liability: | | | | | | | | | |
| Service cost | \$ 175,753 | \$ 145,752 | \$ 146,094 | \$ 139,118 | \$ 142,520 | \$ 92,471 | \$ 90,773 | \$ 95,129 | \$ 92,542 |
| Interest | 343,490 | 340,372 | 334,765 | 333,851 | 305,755 | 287,077 | 274,273 | 266,454 | 257,604 |
| Differences between expected and actual experience | 5,375 | (143,105) | 57,872 | (189,455) | 228,539 | 73,071 | (80,473) | (3,954) | - |
| Changes of assumptions | 133,969 | 175,817 | (32,993) | - | 69,128 | 188,677 | 138,126 | - | - |
| Benefit payments, including refunds of employee contributions | <u>(260,771)</u> | <u>(270,233)</u> | <u>(278,077)</u> | <u>(278,532)</u> | <u>(297,428)</u> | <u>(268,593)</u> | <u>(260,105)</u> | <u>(250,963)</u> | <u>(233,262)</u> |
| Net change in total pension liability | 397,816 | 248,603 | 227,661 | 4,982 | 448,514 | 372,703 | 162,594 | 106,666 | 116,884 |
| Total pension liability - beginning of year | 4,932,747 | 4,684,144 | 4,456,483 | 4,451,501 | 4,002,987 | 3,630,284 | 3,467,690 | 3,361,024 | 3,244,140 |
| Total pension liability - ending of year (a) | <u>\$ 5,330,563</u> | <u>\$ 4,932,747</u> | <u>\$ 4,684,144</u> | <u>\$ 4,456,483</u> | <u>\$ 4,451,501</u> | <u>\$ 4,002,987</u> | <u>\$ 3,630,284</u> | <u>\$ 3,467,690</u> | <u>\$ 3,361,024</u> |
| Total Fiduciary Net Position: | | | | | | | | | |
| Contributions - employer | \$ 197,000 | \$ 252,549 | \$ 295,935 | \$ 262,309 | \$ 196,123 | \$ 223,500 | \$ 186,596 | \$ 222,353 | \$ 200,907 |
| Contributions - state | 45,792 | 42,470 | 42,206 | 40,536 | 78,809 | 36,787 | 32,271 | - | 32,044 |
| Contributions - employee | 31,345 | 28,185 | 29,060 | 28,033 | 28,500 | 28,084 | 23,298 | 22,464 | 21,403 |
| Net investment income | (778,626) | 891,384 | 235,105 | 86,314 | 265,306 | 329,348 | 221,491 | (22,583) | 255,971 |
| Benefit payments, including refunds of employee contributions | (260,771) | (270,233) | (278,077) | (278,532) | (297,428) | (268,593) | (260,105) | (250,963) | (233,262) |
| Administrative expense | (16,411) | (18,688) | (15,989) | (16,914) | (24,645) | (14,945) | (16,803) | (23,280) | (8,111) |
| Net change in plan fiduciary net position | (781,671) | 925,667 | 308,240 | 121,746 | 246,665 | 334,181 | 186,748 | (52,009) | 268,952 |
| Plan fiduciary net position - beginning of year | 4,693,790 | 3,768,123 | 3,459,883 | 3,338,137 | 3,091,472 | 2,757,291 | 2,570,543 | 2,622,552 | 2,353,600 |
| Plan fiduciary net position - end of year (b) | <u>\$ 3,912,119</u> | <u>\$ 4,693,790</u> | <u>\$ 3,768,123</u> | <u>\$ 3,459,883</u> | <u>\$ 3,338,137</u> | <u>\$ 3,091,472</u> | <u>\$ 2,757,291</u> | <u>\$ 2,570,543</u> | <u>\$ 2,622,552</u> |
| Net pension liability - end of year (a) - (b) | <u>\$ 1,418,444</u> | <u>\$ 238,957</u> | <u>\$ 916,021</u> | <u>\$ 996,600</u> | <u>\$ 1,113,364</u> | <u>\$ 911,515</u> | <u>\$ 872,993</u> | <u>\$ 897,147</u> | <u>\$ 738,472</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 73.39% | 95.16% | 80.44% | 77.64% | 74.99% | 77.23% | 75.95% | 74.13% | 78.03% |
| Covered payroll | \$ 626,899 | \$ 563,692 | \$ 581,196 | \$ 560,662 | \$ 569,999 | \$ 561,681 | \$ 465,956 | \$ 467,561 | \$ 428,060 |
| Net pension liability as a percentage of covered payroll | 226.26% | 42.39% | 157.61% | 177.75% | 195.33% | 162.28% | 187.36% | 191.88% | 172.52% |

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

**TOWN OF MELBOURNE BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND
SEPTEMBER 30, 2022**

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|------------|-------------|------------|------------|------------|------------|------------|------------|-----------|
| Actuarially determined contribution | \$ 266,244 | \$ 276,434 | \$ 333,839 | \$ 296,534 | \$ 274,568 | \$ 259,272 | \$ 218,394 | \$ 222,353 | \$232,950 |
| Contributions in relation to the actuarially determined contributions | 242,792 | 295,019 | 338,141 | 302,845 | 274,932 | 260,287 | 218,867 | 222,353 | 232,950 |
| Contribution deficiency (excess) | \$ 23,452 | \$ (18,585) | \$ (4,302) | \$ (6,311) | \$ (364) | \$ (1,015) | \$ (473) | \$ - | \$ - |
| Covered payroll | \$ 626,899 | \$ 563,692 | \$ 581,196 | \$ 560,662 | \$ 569,999 | \$ 561,681 | \$ 465,956 | \$ 467,561 | \$428,060 |
| Contributions as a percentage of covered payroll | 38.73% | 52.34% | 58.18% | 54.02% | 48.23% | 46.34% | 46.97% | 47.56% | 54.42% |

Notes to Schedule:

Valuation Date: 10/1/2020

Methods and assumptions used to determine contribution rates:

Mortality:

Healthy Active Lives:
Female: PubS.H-2010 for Employees, set forward one year.
Male: PubS.H-2010 (Below Median) for Employees, set forward one year.
Healthy Inactive Lives:
Female: PubS.H-2010 for Healthy Retirees, set forward one year.
Male: PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year.
Beneficiary Lives:
Female: PubG.H-2010 (Below Median) for Healthy Retirees.
Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.

Disabled Lives: 80% PubG.H-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees.
All rates are projected generationally with Mortality Improvement Scale MP-2018. We feel this assumption sufficiently accommodates future mortality improvements.

Interest Rate:

6.70% (prior year 6.90%) per year compounded annually, net of investment related expenses. This assumption is supported by the target asset allocation of the trust and the expected long-term return by asset class.

Retirement Age:

100% assumed retirement at the earlier of: 1) age 55 and 10 years of credited service, or 2) age 52 and 20 years of credited service, regardless of age. This assumption is supported by the October 9, 2017 experience study.

Early Retirement:

Members are not assumed to take early retirement, based on results of the experience study dated October 9, 2017.

Disability Rates:

It is assumed that 75% of disablements are service-related. This assumption is based on results of the experience study dated October 9, 2017.

Termination Rates:

18.0% per year for the first three years of Credited Service, and 6.5% per year for the fourth and fifth years of Credited Service; no turnover is expected after the fifth year. This assumption is based on results of the October 9, 2017 experience study.

Salary Increases:

8.5% per year for less than two years of Credited Service, followed by 4.5% per year for two or more years of Credited Service. In addition, the projected salary at retirement is increased 15% to account for lump sum payments. This assumption is based on results of the October 9, 2017 experience study.

Payroll Growth:

None for amortization of the Unfunded Actuarial Accrued Liability. This is in compliance with Part VII of Chapter 112, Florida Statutes.

Cost of Living:

N/A

Amortization Method:

New UAAL amortization bases are amortized over the following amortization periods:
Experience: 10 Years.
Assumption/Method Changes: 20 Years.
Benefit Changes: 30 Years.

Funding Method:

Entry Age Normal Actuarial Cost Method.

Asset Valuation Method:

Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric four-year average Market Value return (net of fees). It is possible that over time this technique will produce an insignificant bias above or below Market Value of Assets.

Termination and Disability Rate Tables:

| Age | % Becoming Disabled During the Year | | % Terminating During the Year |
|------|-------------------------------------|---------|-------------------------------|
| | | Service | |
| 20 | 0.21% | 0-3 | 18.00% |
| 25 | 0.23% | 4-5 | 6.50% |
| 30 | 0.27% | 6+ | 0.00% |
| 35 | 0.35% | | |
| 40 | 0.45% | | |
| 45 | 0.77% | | |
| 50 | 1.50% | | |
| 55 | 2.33% | | |
| 60 + | 3.14% | | |

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

**TOWN OF MELBOURNE BEACH, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF INVESTMENT RETURNS
 MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND
 SEPTEMBER 30, 2022**

| <u>For the Year Ended September 30,</u> | <u>Annual Money-Weighted Rate of Return</u> |
|---|---|
| 2022 | -16.71% |
| 2021 | 23.65% |
| 2020 | 6.78% |
| 2019 | 2.59% |
| 2018 | 8.59% |
| 2017 | 11.96% |
| 2016 | 8.64% |
| 2015 | -0.87% |
| 2014 | 10.99% |

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

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

| | As of the Plan Year Ended June 30, | | | | | | | | |
|---|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Florida Retirement System (FRS) | | | | | | | | | |
| Proportion of the net pension liability | 0.000772082% | 0.000742826% | 0.000682987% | 0.000652773% | 0.000593693% | 0.000525938% | 0.000564726% | 0.000570663% | 0.000546111% |
| Proportionate share of the net pension liability | \$ 287,276 | \$ 56,112 | \$ 296,017 | \$ 224,806 | \$ 178,823 | \$ 155,569 | \$ 142,594 | \$ 73,709 | \$ 33,581 |
| Covered payroll | 429,087 | 420,250 | 454,238 | 419,289 | 359,702 | 358,623 | 352,113 | 362,777 | 245,833 |
| Proportionate share of the net pension liability as a percentage of covered payroll | 66.95% | 13.35% | 65.17% | 53.62% | 49.71% | 43.38% | 40.50% | 20.32% | 13.66% |
| Plan fiduciary net position as a percentage of the total pension liability | 82.89% | 96.40% | 78.85% | 82.61% | 84.26% | 83.89% | 84.88% | 92.00% | 96.09% |
| Health Insurance Subsidy Program (HIS) | | | | | | | | | |
| Proportion of the net pension liability | 0.001177166% | 0.001186821% | 0.001308514% | 0.001253435% | 0.001101056% | 0.001122682% | 0.001179170% | 0.001038277% | 0.000861064% |
| Proportionate share of the net pension liability | \$ 124,681 | \$ 145,581 | \$ 159,767 | \$ 140,247 | \$ 116,537 | \$ 120,042 | \$ 137,427 | \$ 105,888 | \$ 80,512 |
| Covered payroll | 429,087 | 420,250 | 454,238 | 419,289 | 359,702 | 358,623 | 352,113 | 362,777 | 245,833 |
| Proportionate share of the net pension liability as a percentage of covered payroll | 29.06% | 34.64% | 35.17% | 33.45% | 32.40% | 33.47% | 39.03% | 29.19% | 32.75% |
| Plan fiduciary net position as a percentage of the total pension liability | 4.81% | 3.56% | 3.00% | 2.63% | 2.15% | 1.64% | 0.97% | 0.50% | 0.99% |

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

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

| | 2022 | 2021 | 2020 | For the Fiscal Year Ended September 30, | | | 2016 | 2015 | 2014 |
|--|-------------|-------------|-------------|---|-------------|-------------|-------------|-------------|-------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Florida Retirement System (FRS) | | | | | | | | | |
| Contractually required contribution | \$ 33,443 | \$ 29,941 | \$ 22,693 | \$ 20,241 | \$ 16,920 | \$ 13,691 | \$ 13,772 | \$ 13,913 | \$ 11,962 |
| Contributions in relation to the contractually required contribution | 33,443 | 29,941 | 22,693 | 20,241 | 16,920 | 13,691 | 13,772 | 13,913 | 11,962 |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 446,961 | \$ 429,437 | \$ 454,238 | \$ 419,289 | \$ 358,623 | \$ 358,623 | \$ 352,113 | \$ 362,777 | \$ 245,833 |
| Contributions as a percentage of covered payroll | 7.48% | 6.97% | 5.00% | 4.83% | 4.72% | 3.82% | 3.91% | 3.84% | 4.87% |
| Health Insurance Subsidy Program (HIS) | | | | | | | | | |
| Contractually required contribution | \$ 7,420 | \$ 7,129 | \$ 7,540 | \$ 6,960 | \$ 5,971 | \$ 5,942 | \$ 6,044 | \$ 3,969 | \$ 2,950 |
| Contributions in relation to the contractually required contribution | 7,420 | 7,129 | 7,540 | 6,960 | 5,971 | 5,942 | 6,044 | 3,969 | 2,950 |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 446,961 | \$ 429,437 | \$ 454,238 | \$ 419,289 | \$ 358,623 | \$ 358,623 | \$ 352,113 | \$ 362,777 | \$ 245,833 |
| Contributions as a percentage of covered payroll | 1.66% | 1.66% | 1.66% | 1.66% | 1.66% | 1.66% | 1.72% | 1.09% | 1.20% |

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

**TOWN OF MELBOURNE BEACH, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022**

| | Environmental Advisory | Christmas Donations | Police Education | Building Education | Stormwater Utility | Ocean State Park | Beautification | Old Town Hall | Police Donations | Total Nonmajor Governmental Funds |
|--|-----------------------------------|--------------------------------|-----------------------------|-------------------------------|-------------------------------|-----------------------------|-----------------------|----------------------|-----------------------------|--|
| ASSETS | | | | | | | | | | |
| Equity in pooled cash and cash equivalents | \$ 5,374 | \$ 1,293 | \$ 11,712 | \$ 2,606 | \$ 1,186 | \$ 68,333 | \$ 46,686 | \$ 22,852 | \$ 9,205 | \$ 169,247 |
| Due from other governments | - | - | - | - | 695 | - | - | - | - | 695 |
| Total assets | \$ 5,374 | \$ 1,293 | \$ 11,712 | \$ 2,606 | \$ 1,881 | \$ 68,333 | \$ 46,686 | \$ 22,852 | \$ 9,205 | \$ 169,942 |
| LIABILITIES | | | | | | | | | | |
| Accounts payable | \$ 470 | \$ - | \$ - | \$ - | \$ 1,933 | \$ 1,747 | \$ 1,021 | \$ - | \$ - | \$ 5,171 |
| Due to other funds | - | - | - | - | 36,304 | - | - | - | - | 36,304 |
| Total liabilities | 470 | - | - | - | 38,237 | 1,747 | 1,021 | - | - | 41,475 |
| FUND BALANCES | | | | | | | | | | |
| Restricted for: | | | | | | | | | | |
| Ocean State Park | - | - | - | - | - | 66,586 | - | - | - | 66,586 |
| Beautification | - | - | - | - | - | - | 45,665 | - | - | 45,665 |
| Environmental Advisory | 4,904 | - | - | - | - | - | - | - | - | 4,904 |
| Christmas Donations | - | 1,293 | - | - | - | - | - | - | - | 1,293 |
| Law enforcement education | - | - | 11,712 | - | - | - | - | - | 9,205 | 20,917 |
| Building department education | - | - | - | 2,606 | - | - | - | - | - | 2,606 |
| Old Town Hall | - | - | - | - | - | - | - | 22,852 | - | 22,852 |
| Unassigned | - | - | - | - | (36,356) | - | - | - | - | (36,356) |
| Total fund balances | 4,904 | 1,293 | 11,712 | 2,606 | (36,356) | 66,586 | 45,665 | 22,852 | 9,205 | 128,467 |
| Total liabilities and fund balances | \$ 5,374 | \$ 1,293 | \$ 11,712 | \$ 2,606 | \$ 1,881 | \$ 68,333 | \$ 46,686 | \$ 22,852 | \$ 9,205 | \$ 169,942 |

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

TOWN OF MELBOURNE BEACH, FLORIDA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

| | <u>Environmental Advisory</u> | <u>Christmas Donations</u> | <u>Police Education</u> | <u>Building Education</u> | <u>Stormwater Utility</u> | <u>Ocean State Park</u> | <u>Beautification</u> | <u>Old Town Hall</u> | <u>Police Donations</u> | <u>Total Nonmajor Governmental Funds</u> |
|---|-----------------------------------|--------------------------------|-----------------------------|-------------------------------|-------------------------------|-----------------------------|-----------------------|----------------------|-----------------------------|--|
| Revenues | | | | | | | | | | |
| Licenses and permits | \$ - | \$ - | \$ - | \$ 470 | \$ 6,594 | \$ - | \$ - | \$ - | \$ - | \$ 7,064 |
| Intergovernmental | 568 | - | - | - | - | - | - | - | - | 568 |
| Charges for services | - | - | - | - | 54,978 | 120,173 | - | 270 | - | 175,421 |
| Fines and forfeitures | - | - | 762 | - | - | - | - | - | - | 762 |
| Miscellaneous | 5,000 | 205 | - | - | - | - | - | 733 | 3,535 | 9,473 |
| Total revenues | <u>5,568</u> | <u>205</u> | <u>762</u> | <u>470</u> | <u>61,572</u> | <u>120,173</u> | <u>-</u> | <u>1,003</u> | <u>3,535</u> | <u>193,288</u> |
| Expenditures | | | | | | | | | | |
| Current: | | | | | | | | | | |
| Public safety | - | - | - | - | - | - | - | - | 3,637 | 3,637 |
| Parks and recreation | 664 | - | - | - | - | 56,863 | - | 242 | - | 57,769 |
| Physical environment | - | - | - | - | 58,914 | - | 32,835 | - | - | 91,749 |
| Capital outlay | - | - | - | - | - | 8,739 | - | - | - | 8,739 |
| Total expenditures | <u>664</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>58,914</u> | <u>65,602</u> | <u>32,835</u> | <u>242</u> | <u>3,637</u> | <u>161,894</u> |
| Net change in fund balances | <u>4,904</u> | <u>1,293</u> | <u>762</u> | <u>470</u> | <u>2,658</u> | <u>54,571</u> | <u>45,665</u> | <u>761</u> | <u>(102)</u> | <u>110,982</u> |
| Fund balances, beginning of year | - | - | 10,950 | 2,136 | (39,014) | 12,015 | - | 22,091 | 9,307 | 17,485 |
| Fund balances, end of year | <u>\$ 4,904</u> | <u>\$ 1,293</u> | <u>\$ 11,712</u> | <u>\$ 2,606</u> | <u>\$ (36,356)</u> | <u>\$ 66,586</u> | <u>\$ 45,665</u> | <u>\$ 22,852</u> | <u>\$ 9,205</u> | <u>\$ 128,467</u> |

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Melbourne Beach, Florida, (the Town) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated May 12, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control that we consider to be significant deficiencies, as described in the following paragraphs.

2022-001 – Reconciliation of Account Balances and Accruals

Various audit adjustments were required to correct account balances due to cutoff issues related to receivables, unearned revenue, fund balance, and revenue. The Town's controls should include periodic reconciliations of significant account balances, including full accrual-based reconciliations at fiscal-year end to ensure all amounts have been appropriately recorded and budgeted for. We recommend the Town increase its review of such transactions, including a

review for proper cutoff at the fiscal year-end, to help ensure completeness and accuracy of all financial reporting.

Report on Compliance and Other Matters

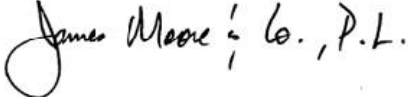
As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Management's Response to Findings

The Town's responses to the findings identified in our audit are described starting on page 61. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Daytona Beach, Florida
May 12, 2023



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

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

Report on the Financial Statements

We have audited the financial statements of the Town of Melbourne Beach, Florida, as of and for the fiscal year ended September 30, 2022, and have issued our report thereon dated May 12, 2023.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated May 12, 2023, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Prior year comment 2021-001 remains uncorrected from the second preceding audit report. The following is a summary of all findings and recommendations reported in our preceding annual financial audit report:

2021-001 Reconciliation of Account Balances and Accruals – Corrective action not taken. See repeat comment 2022-001.

2021-002 Timeliness of Bank Reconciliations – Corrective action taken.

Official Title and Legal Authority

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

Financial Condition and Management

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

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we had the following recommendations:

2022-002 – Budgetary Compliance

During our audit, we noted the expenditures in the stormwater fund in total exceeded the budgeted amounts as approved by the Town Commission, resulting in the Town not being within legal budgetary compliance. We also noted the final budget amendment was approved on December 12, 2022, resulting in the Town not being within legal budgetary compliance as such amendment was more than 60 days after year-end, as permitted by state statute. To avoid such instances in the future, we recommend the Town actively monitor budget-to-actual comparisons of expenditures throughout the year and ensure that any necessary budget amendments are brought to the Town Commission on a timely basis.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Management's Response to Findings

The Town's responses to the findings identified in our audit are described starting on page 61. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Letter

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



Daytona Beach, Florida
May 12, 2023



INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

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

We have examined the Town of Melbourne Beach, Florida's (the Town) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies* (the Statute), for the year ended September 30, 2022. The Town's management is responsible for the compliance with the Statute. Our responsibility is to obtain reasonable assurance by evaluating statutes and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our evaluation based on our examination.

Our examination was conducted in accordance with the attestation standards for a direct examination engagement established by the American Institute of Certified Public Accountants (AICPA). Those standards require that we obtain reasonable assurance by evaluating the Town's compliance with the Statute and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our measurement or evaluation of the Town's compliance. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks that the Town was not in compliance with the Statute in all material respects, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent of the Town, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our examination engagement.

In our opinion, the Town of Melbourne Beach, Florida complied, in all material respects, with the Statute for the year ended September 30, 2022.

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

Daytona Beach, Florida
May 12, 2023



Town of Melbourne Beach

Brevard County's Oldest Beach Community * Established 1883

May 12, 2023

MANAGEMENT'S RESPONSE TO FINDINGS

2022-001 Reconciliation of Account Balances: The Town purchased new accounting software in April of 2022. The transition over to the new software from the previous software, with different processes between the two software programs, resulted in various audit adjustments. The Town will increase its review system to monitor the timely recording of accruals, reversals, journal postings, and adjustments. The Town will review for proper cutoff at the fiscal year-end to help ensure completeness and accuracy of all financial reporting.

2022-002 Budgetary Compliance: The Town will actively monitor budget-to-actual comparisons of expenditures throughout the year and ensure that any necessary budget amendments are brought to the Town Commission on a timely basis.

Jennifer Kerr
Finance Manager