

TOWN OF MELBOURNE VILLAGE, FLORIDA

Annual Financial Report

September 30, 2022

**TOWN OF MELBOURNE VILLAGE, FLORIDA
TOWN OFFICIALS
AT SEPTEMBER 30, 2022**

Mayor:

Tabitha Niemann

Vice-Mayor:

Valerie Calenda

Commissioners:

Gary Ingram
David Jones
Fred Anderson
Bridget Foster
Norton Muzzone

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Melbourne Village, Florida (the "Town"), as of and for the year ended September 30, 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 my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Melbourne Village, Florida, as of September 30, 2022, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund, Stormwater Utility Fund and Investment Fund A, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 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.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 auditor's report that includes my 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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, I:

- 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 my 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.

I am 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 I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

I have applied certain limited procedures to 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated May 31, 2023, on my consideration of the Town's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Crawford CPA, Inc

Titusville, Florida
May 31, 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Melbourne Village, we offer readers of the Town of Melbourne Village's financial statements this narrative overview and analysis of the financial activities of the Town of Melbourne Village for the year ended September 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follows this section.

Financial Highlights

- The Town's total net position increased by \$179,065 over last year.
- Property taxes account for \$519,443 or approximately 52.8 percent of all revenues. This figure was up \$27,318 from last year.
- Other taxes, primarily utility taxes and franchise payments, account for approximately \$214,486 or 21.8 percent of all revenues. This figure was up \$16,148 from the prior year.
- The Town had \$804,538 in expenses related to governmental activities. Total revenues were \$983,603 leaving an increase in net position of \$179,065.
- The Town's assets exceeded its liabilities at September 30, 2022 by \$2,248,383. Of this amount, \$731,122 is invested in the Town's capital assets, \$10,102 is restricted for specific purposes, and \$1,507,159 is unrestricted and subject to the Town's discretion. These amounts were increased from the prior year by \$34,789 for capital assets, and by \$62 for restricted assets and by \$144,214 for unrestricted assets.
- The difference between the unrestricted balance of \$1,507,159 on a full accrual basis and the Governmental Funds total fund balances of \$1,487,395 is due to the Town's accrued compensated absences of \$624 and the restricted amount of \$10,102, offset by the grant revenue received more than 60 days after year-end of \$30,490. The total fund balance of the Governmental Funds consists of non-spendable, restricted, committed and unassigned amounts. The Town's committed funds consists of \$1,279,397 in the Town's stabilization fund (Investment Fund A) and \$37,173 in the Stormwater Utility Fund. Non-spendable funds consist of \$27,019 for prepaid items and restricted funds consist of \$10,102. Assigned funds of \$56,422 are for future road resurfacing, tree maintenance, and a reserve for the Community House.
- The unassigned fund balance totaling \$77,282 is equal to approximately 9 percent of the Town's operating costs for the year. This is an adequate but not excessive reserve, given the Town's dependence on revenue sources not under our control, and relatively small annual budget. A sufficient reserve provides the Town with the time to secure alternate sources of revenue or adjust expenditures and levels of service in the event of a loss of revenue stream and provides for major expenditures that would not be possible to fund in a single year.

Overview of the Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The Town maintained three individual governmental funds as of October 1, 2021. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the (1) General Fund, (2) Stormwater Utility Fund, and (3) Investment Fund A, because they are considered major funds. The Town has no debt-service fund as there is no external long-term debt outstanding.

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

Notes to the Financial Statements

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

Government-wide Financial Analysis

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

Table 1 provides a summary of the Town's net position at September 30, 2022, and changes from the prior year.

Table 1
Summary Statement of Net Position

	Governmental Activities		
	<u>2022</u>	<u>2021</u>	<u>Change</u>
Current and other assets	\$ 1,929,059	\$ 1,598,476	\$ 330,583
Capital assets, net	731,122	696,333	34,789
	<hr/>	<hr/>	<hr/>
Total assets	2,660,181	2,294,809	365,372
	<hr/>	<hr/>	<hr/>
Long-term liabilities	624	17,185	(16,561)
Other liabilities	410,497	208,014	202,483
	<hr/>	<hr/>	<hr/>
Total liabilities	411,121	225,199	185,922
	<hr/>	<hr/>	<hr/>
Deferred inflows of resources	677	292	385
	<hr/>	<hr/>	<hr/>
Net position:			
Net investment in capital assets	731,122	696,333	34,789
Restricted	10,102	10,040	62
Unrestricted	1,507,159	1,362,945	144,214
	<hr/>	<hr/>	<hr/>
Total net position	<u>\$2,248,383</u>	<u>\$2,069,318</u>	<u>\$ 179,065</u>

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

Table 2
Changes in Net Position

	Governmental Activities		
	2022	2021	Change
Revenues			
Program revenues:			
Charges for services	\$ 143,859	\$ 131,984	\$ 11,875
Operating grants/contributions	5,171	8,199	(3,028)
Capital grants/contributions	89,774	3,647	86,127
General revenues:			
Property taxes	519,443	492,125	27,318
Sales taxes	48,739	43,582	5,157
Local option motor fuel taxes	20,438	17,854	2,584
Utility taxes and franchise fees	145,309	136,902	8,407
Intergovernmental revenues	25,441	21,976	3,465
Investment income (loss)	(31,829)	2,480	(34,309)
Miscellaneous revenue	5,058	3,404	1,654
Gain on disposal of capital assets	12,200	-	12,200
Total revenues	<u>983,603</u>	<u>862,153</u>	<u>121,450</u>
Expenses			
General government	216,855	238,071	(21,216)
Public safety	416,532	433,823	(17,291)
Physical environment	166,415	215,165	(48,750)
Unallocated depreciation	4,736	4,708	28
Total expenses	<u>804,538</u>	<u>891,767</u>	<u>(87,229)</u>
Change in net position	179,065	(29,614)	208,679
Net position, beginning	<u>2,069,318</u>	<u>2,098,932</u>	<u>(29,614)</u>
Net position, ending	<u>\$2,248,383</u>	<u>\$ 2,069,318</u>	<u>\$ 179,065</u>

- The primary source of operating revenue for the Town comes from taxes, including property taxes and utility taxes.
- The cost of all governmental activities this year was \$804,538.
- Operating Grants and donations provided \$5,171, Capital Grants and donations provided \$89,774, and user fees and charges for services generated \$143,859.
- Most of the Town's costs were, however, financed by the Town and State taxpayers.
- The difference in revenues from 2021 to 2022 was an increase of \$121,450. The major factors contributing to this increase in revenue were the increase in property taxes of \$27,318, charges for services of \$11,875, capital grants and donations of \$86,127, which includes grants and donations for public safety equipment, gain on sale of capital assets \$12,200, and a decrease in Investment revenue of \$34,309, and various minor changes up and down throughout the budget.
- Property taxes account for the largest source of the Town's revenue, contributing almost 53 cents for every dollar of revenue (see Table 3). The millage rate of 9.8103, with the new construction, generated \$27,318 more than in 2021.
- In summary, governmental activities were financed with \$733,929 in taxes and franchise fees, \$143,859 in charges for services, \$5,171 in operating grants and contributions, \$89,774 in capital grants and donations, \$25,441 in intergovernmental revenue, gain on disposal of capital assets \$12,200, \$5,058 in miscellaneous revenue, and a \$31,829 decrease in investment earnings, and for a total of \$983,603.

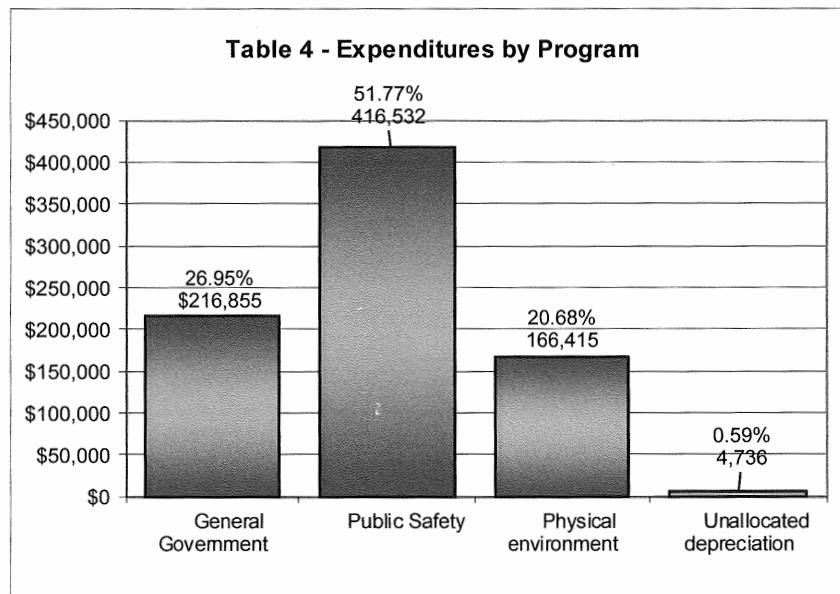
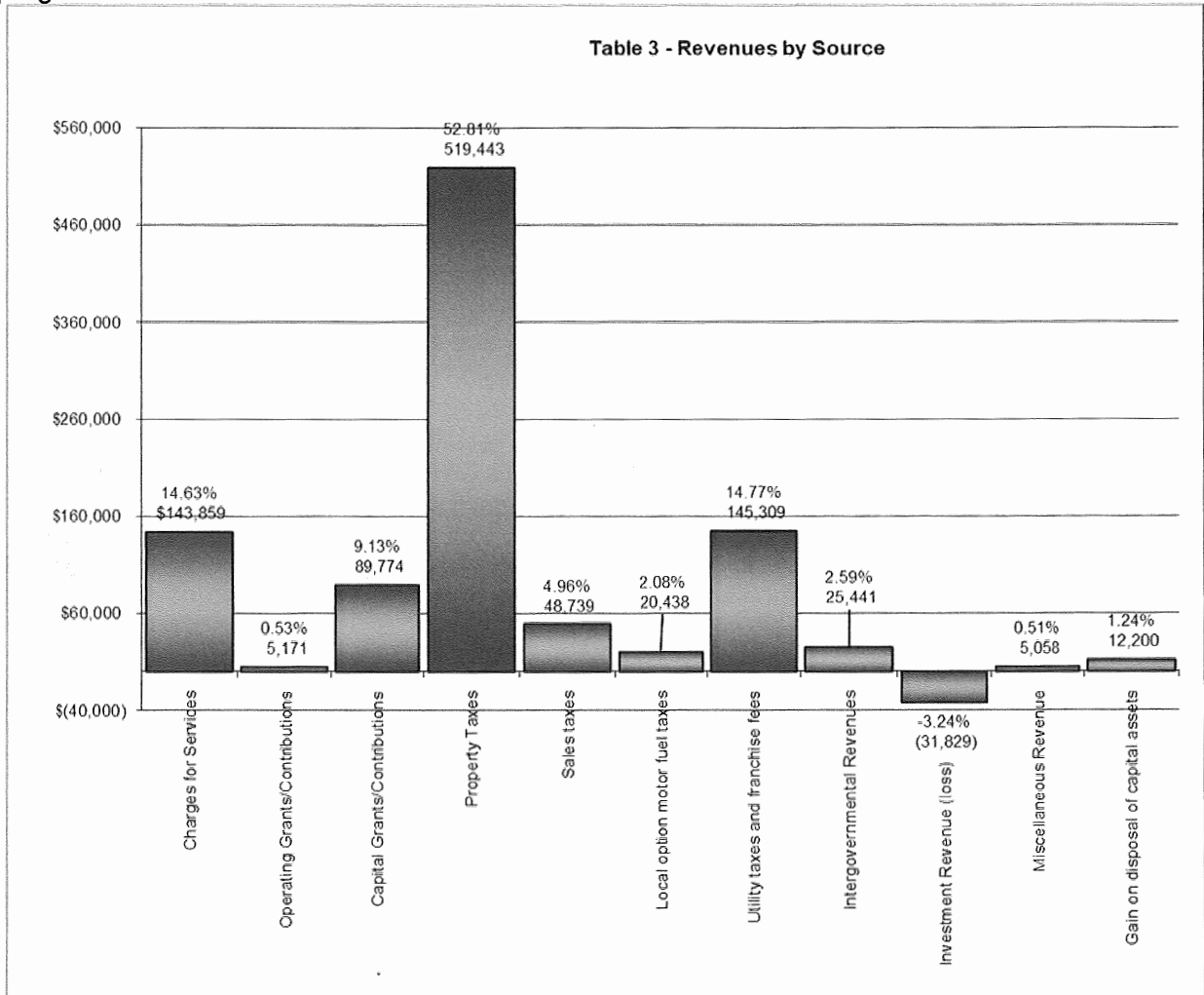
The Town's expenses predominantly relate to law enforcement, public works, and administration services, which includes support for the building permit department and the general governmental functions of the Town. Given that the Town is a service organization providing governmental services to residents,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

Total expenses in 2022 were \$804,538. This was a \$87,229 decrease from those of 2021. The most significant contributions to this difference were a decrease of \$68,800 in payroll and payroll related items, and a \$24,600 decrease in building and road maintenance, and various lesser increases and decreases throughout the budget.

The net increase in capital assets was \$34,789, after reducing capital assets by \$58,514 for depreciation. Capital activities included the following:

- The Town expended \$1,599 on an administration computer.
- The Police Department expended \$89,494 in vehicles and \$2,210 for public safety equipment.

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



Financial Analysis of the Town's Funds

The Town's governmental funds are accounted for using the modified accrual basis of accounting. Governmental funds have revenues and proceeds from sales of capital assets totaling \$978,180 and expenditures of \$855,890. The net change in fund balance for the year was \$122,290.

General Fund Budgetary Highlights

The Town approves a budget in September based on anticipated revenue for the following year. The Town frequently adopts a revision to the annual budget late in the year. The Town adopted Ordinance 2022-03, a revised annual operating budget for the fiscal year 2021-22, in November 2022. The anticipated revenues were increased in the revised budget by \$102,200 due primarily to expected increases in grant revenue, sale of assets, and a few minor adjustments. Anticipated expenditures were increased by \$125,000 from the original budget due to an increase in capital outlay funds of \$95,000 for purchases of vehicles and equipment. In addition, public safety funds were increased by \$35,000 due to the transition costs resulting from the resignation of the police department and approving the Brevard County Sheriff's Office ("BCSO") service contract; signed August 2022. Other changes totaled a reduction of about \$5,000.

The actual revenues including capital asset sales were \$43,778 more than budgeted due largely to receiving more taxes and franchise fees, as well as licenses, permits and other fee revenue than expected of approximately \$36,500.

The actual expenditures were \$77,302 under budget, largely due to less expended than anticipated for payroll and related expenditures, insurance, and the transition costs related to the BCSO contract, plus minor overages and savings in various items throughout the budget.

Capital Assets

By the end of the fiscal year 2021-22, the Town had invested \$731,122 (net of depreciation) in capital assets, including land, buildings, site improvements, vehicles, and other equipment. (See Table 5).

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

	Governmental Activities		
	2022	2021	Change
Land	\$ 65,300	\$ 65,300	\$ -
Buildings and improvements	122,173	130,690	(8,517)
Furniture and equipment	66,462	89,310	(22,848)
Vehicles	95,319	19,471	75,848
Infrastructure	381,868	391,562	(9,694)
Total	\$ 731,122	\$ 696,333	\$ 34,789

Long-Term Debt

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

Factors Bearing on the Town's Future

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

- Most of the Town's expenses are in the form of compensation (salaries and benefits) to the Town's employees, thus increases in the cost of providing benefits, and increases in compensation are the major factors in increasing the budget each year. In past years the Town has covered this increase by increasing the ad valorem property tax rate by 10% over the roll-back rate. The actions of the State Legislature, combined with the fall in property values in 2008 through 2012 pushed the millage rate over 9 mills, flirting with the 10 mill cap. Recovering property values are again creating roll-backs, but the Town is still limited by this cap. The Town decreased the overall millage from 9.8103 to 9.4381 for the fiscal year ending September 30, 2023.
- The Town Commission adopted Resolution 2020-1 in February 2020 enabling an interfund loan from the Special Investment Fund (Investment Fund A) to the General Fund to pay the cost of the Dayton Bridge project not covered by funds on hand or other sources. The term of the loan is ten years at an interest rate of 2% per annum. The Town borrowed \$100,000 in October 2020 from Investment Fund A. At September 30, 2022 the total balance is still outstanding.
- A portion of the Dayton Blvd bridge project was allocated to stormwater activities and will be recovered through increased stormwater utility fees. The Town Commission adopted Resolution 2019-06 in September 2019, due to estimating the stormwater share of the project to be approximately \$235,000. The resolution provided for an increase to the stormwater utility fee of \$5.00 per month per equivalent residential unit to repay the interfund loan and recover bridge costs paid by the General Fund. The increased utility fee began in February 2020 with no set ending date at this time.
- While the Town is close to build-out as far as vacant home-sites are concerned, we are seeing a steady trend towards major remodeling as well as demolishing existing homes and rebuilding on those existing home-sites. The current upturn in the market is causing an increase in remodeling projects and tear down/rebuilds, as well as property value increases. Melbourne Village is a desirable location with a significant inventory of older houses, so we anticipate that the Town will continue to see one to two major single-family-home building/remodeling permits per year.

- In August 2022, the Town's internal police force resigned. In order for the Town to continue to provide public safety services the Town entered into an annual contract with the local Brevard County Sheriff's Office ("BCSO"). The contract includes monthly payments of \$20,833 for one year ending on September 30, 2023. The annual contract expense is approximately 40% less than historical expenses the Town incurred while previously employing an internal police force.
- Due to the Town's aging infrastructure and past culvert failures the Town has been evaluating the overall health of the culverts. The Town anticipates completing culvert repairs or replacements over the next few years and plans on funding these projects with securing grant funding.

Contacting the Town's Financial Management

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

Phone: 321-723-8300

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

E-mail: Town@melbournevillage.org

TOWN OF MELBOURNE VILLAGE, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 924,541
Accounts receivable	73,356
Prepaid items	27,019
Investments	894,041
Restricted assets:	
Cash and cash equivalents	10,102
Capital assets (not being depreciated):	
Land	65,300
Capital assets (net of accumulated depreciation):	
Buildings and improvements	122,173
Furniture and equipment	66,462
Vehicles	95,319
Infrastructure	381,868
Total assets	2,660,181
LIABILITIES	
Accounts payable and accrued liabilities	62,905
Unearned revenue	347,592
Noncurrent liabilities:	
Due within one year	156
Due in more than one year	468
Total liabilities	411,121
DEFERRED INFLOWS OF RESOURCES	
Business taxes not yet earned	677
Total deferred inflows of resources	677
NET POSITION	
Net investment in capital assets	731,122
Restricted for:	
Transportation (impact fees)	9,206
Public safety (impact fees)	100
Law enforcement trust fund	231
Law enforcement education	565
Unrestricted	1,507,159
Total net position	\$ 2,248,383

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

**TOWN OF MELBOURNE VILLAGE, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 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/ Contributions</u>	<u>Capital Grants/ Contributions</u>	
Governmental activities:					
General government	\$ 216,855	\$ 58,327	\$ 185	\$ -	\$ (158,343)
Public safety	416,532	12,968	4,986	89,774	(308,804)
Physical environment	166,415	72,564	-	-	(93,851)
Unallocated depreciation	4,736	-	-	-	(4,736)
Total government	<u>\$ 804,538</u>	<u>\$ 143,859</u>	<u>\$ 5,171</u>	<u>\$ 89,774</u>	<u>(565,734)</u>
General revenues:					
					519,443
					48,739
					20,438
					145,309
					25,441
					(31,829)
					5,058
					12,200
					<u>744,799</u>
					179,065
					<u>2,069,318</u>
					<u>\$ 2,248,383</u>

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

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

	<u>General Fund</u>	<u>Stormwater Utility Fund</u>	<u>Investment Fund A</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 639,185	\$ -	\$ 285,356	\$ 924,541
Accounts receivable	61,008	12,348	-	73,356
Prepaid items	27,019	-	-	27,019
Investments	-	-	894,041	894,041
Due from other funds	-	25,120	18,266	43,386
Advances to other funds	-	-	81,734	81,734
Restricted assets:				-
Cash and cash equivalents	10,102	-	-	10,102
Total assets	<u>\$ 737,314</u>	<u>\$ 37,468</u>	<u>\$ 1,279,397</u>	<u>\$ 2,054,179</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued liabilities	\$ 62,610	\$ 295	\$ -	\$ 62,905
Due to other funds	43,386	-	-	43,386
Advances from other funds	81,734	-	-	81,734
Unearned revenue	347,592	-	-	347,592
Total liabilities	<u>535,322</u>	<u>295</u>	<u>-</u>	<u>535,617</u>
Deferred Inflows of Resources				
Business taxes not yet earned	677	-	-	677
Unavailable grant revenue	30,490	-	-	30,490
Total deferred inflows of resources	<u>31,167</u>	<u>-</u>	<u>-</u>	<u>31,167</u>
Fund Balances				
Nonspendable	27,019	-	-	27,019
Restricted	10,102	-	-	10,102
Committed	-	37,173	1,279,397	1,316,570
Assigned	56,422	-	-	56,422
Unassigned	77,282	-	-	77,282
Total fund balances	<u>170,825</u>	<u>37,173</u>	<u>1,279,397</u>	<u>1,487,395</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 737,314</u>	<u>\$ 37,468</u>	<u>\$ 1,279,397</u>	<u>\$ 2,054,179</u>

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

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

Fund balances - total governmental funds \$ 1,487,395

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

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

Land	\$ 65,300	
Buildings and improvements, net	122,173	
Furniture and equipment, net	66,462	
Vehicles, net	95,319	
Infrastructure, net	<u>381,868</u>	731,122

Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds (624)

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

Unavailable grant revenue		30,490
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Net position of governmental activities \$ 2,248,383

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

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

	<u>General Fund</u>	<u>Stormwater Utility Fund</u>	<u>Investment Fund A</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes and franchise fees	\$ 685,190	\$ -	\$ -	\$ 685,190
Licenses and permits and other fees	50,115	72,564	-	122,679
Intergovernmental revenues	160,674	-	-	160,674
Fines and forfeitures	930	-	-	930
Investment income (net)	1,950	-	(33,779)	(31,829)
Miscellaneous revenue	28,336	-	-	28,336
Total revenues	<u>927,195</u>	<u>72,564</u>	<u>(33,779)</u>	<u>965,980</u>
EXPENDITURES				
Current				
General government	216,971	-	-	216,971
Public safety	395,835	-	-	395,835
Physical environment	146,251	3,530	-	149,781
Capital outlay	93,303	-	-	93,303
Total expenditures	<u>852,360</u>	<u>3,530</u>	<u>-</u>	<u>855,890</u>
Excess (deficiency) of revenues over (under) expenditures	74,835	69,034	(33,779)	110,090
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	-	-	50,000
Transfers out	-	(50,000)	-	(50,000)
Sale of capital assets	12,200	-	-	12,200
Total other financing sources (uses)	<u>62,200</u>	<u>(50,000)</u>	<u>-</u>	<u>12,200</u>
Net change in fund balances	<u>137,035</u>	<u>19,034</u>	<u>(33,779)</u>	<u>122,290</u>
Fund balances, beginning of year	<u>33,790</u>	<u>18,139</u>	<u>1,313,176</u>	<u>1,365,105</u>
Fund balances, end of year	<u><u>\$ 170,825</u></u>	<u><u>\$ 37,173</u></u>	<u><u>\$ 1,279,397</u></u>	<u><u>\$ 1,487,395</u></u>

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

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

Net change in fund balances - total governmental funds \$ 122,290

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

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

Expenditure for capital assets	\$ 93,303	
Current year depreciation	<u>(58,514)</u>	34,789

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

Those include:

Change in deferred inflows from grants		5,425
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Those include:

Change in accrued compensated absences		<u>16,561</u>
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Change in net position of governmental activities		<u><u>\$ 179,065</u></u>
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The accompanying notes are an integral part of this financial statement.

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Taxes and franchise fees	\$ 666,467	\$ 666,467	\$ 685,190	\$ 18,723
Licenses and permits and other fees	32,325	32,325	50,115	17,790
Intergovernmental revenues	68,625	155,625	160,674	5,049
Fines and forfeitures	2,500	2,500	930	(1,570)
Investment income (net)	1,500	1,500	1,950	450
Miscellaneous revenue	22,000	37,200	28,336	(8,864)
Total revenues	<u>793,417</u>	<u>895,617</u>	<u>927,195</u>	<u>31,578</u>
EXPENDITURES				
Current				
General government	249,444	239,444	216,971	22,473
Public safety	397,083	432,083	395,835	36,248
Physical environment	155,135	160,135	146,251	13,884
Capital outlay	3,000	98,000	93,303	4,697
Total expenditures	<u>804,662</u>	<u>929,662</u>	<u>852,360</u>	<u>77,302</u>
Excess (deficiency) of revenues over (under) expenditures	(11,245)	(34,045)	74,835	108,880
OTHER FINANCING SOURCES (USES)				
Transfers in	85,000	85,000	50,000	(35,000)
Transfers out	(11,133)	(11,133)	-	11,133
Sale of capital assets	-	-	12,200	12,200
Total other financing sources (uses)	<u>73,867</u>	<u>73,867</u>	<u>62,200</u>	<u>(11,667)</u>
Net change in fund balances	62,622	39,822	137,035	97,213
Fund balances, beginning of year	33,790	33,790	33,790	-
Fund balances, end of year	<u>\$ 96,412</u>	<u>\$ 73,612</u>	<u>\$ 170,825</u>	<u>\$ 97,213</u>

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

TOWN OF MELBOURNE VILLAGE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
STORMWATER UTILITY FUND - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Licenses and permits and other fees	\$ 65,000	\$ 65,000	\$ 72,564	\$ 7,564
Total revenues	<u>65,000</u>	<u>65,000</u>	<u>72,564</u>	<u>7,564</u>
EXPENDITURES				
Current				
Physical environment	<u>3,500</u>	<u>3,500</u>	<u>3,530</u>	<u>(30)</u>
Total expenditures	<u>3,500</u>	<u>3,500</u>	<u>3,530</u>	<u>(30)</u>
Excess (deficiency) of revenues over (under) expenditures	61,500	61,500	69,034	7,534
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Net change in fund balances	11,500	11,500	19,034	7,534
Fund balances, beginning of year	<u>18,139</u>	<u>18,139</u>	<u>18,139</u>	<u>-</u>
Fund balances, end of year	<u>\$ 29,639</u>	<u>\$ 29,639</u>	<u>\$ 37,173</u>	<u>\$ 7,534</u>

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

TOWN OF MELBOURNE VILLAGE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
INVESTMENT FUND A - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Investment income (net)	\$ 17,000	\$ 17,000	\$ (33,779)	\$ (50,779)
Total revenues	<u>17,000</u>	<u>17,000</u>	<u>(33,779)</u>	<u>(50,779)</u>
EXPENDITURES				
Current				
General government	1,000	1,000	-	1,000
Total expenditures	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>16,000</u>	<u>16,000</u>	<u>(33,779)</u>	<u>(49,779)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	11,133	11,133	-	(11,133)
Transfers out	(35,000)	(35,000)	-	35,000
Total other financing sources (uses)	<u>(23,867)</u>	<u>(23,867)</u>	<u>-</u>	<u>23,867</u>
Net change in fund balances	(7,867)	(7,867)	(33,779)	(25,912)
Fund balances, beginning of year	1,313,176	1,313,176	1,313,176	-
Fund balances, end of year	<u>\$ 1,305,309</u>	<u>\$ 1,305,309</u>	<u>\$ 1,279,397</u>	<u>\$ (25,912)</u>

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting entity

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

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

2. Government-wide and fund financial statements

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

The Town reports the following as major governmental funds:

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

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Investment Fund A (continued)

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

4. Assets, liabilities and fund balance

a. *Cash and investments*

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

Florida PRIME and FLGIT Day-to-Day Fund are classified as external investment pools that seek to operate in a manner consistent with the criteria and requirements of SEC Rule 2a-7, as amended in 2014 (a "2a-7 like" pool). GASB 79, as codified in Section In5, addresses these amendments and allows an external investment pool for financial reporting purposes to elect to measure all of its investments at amortized cost if the pool meets certain criteria and transacts with its participants at a stable net asset value per share. As a result, pool participants in both Florida PRIME and FLGIT Day-to-Day Fund should measure investments at amortized cost. The pools seek to maintain a stable Net Asset Value (NAV) of \$1.00 per share and the fair value of the position in each pool is substantially equal to the value of the pool's shares.

Florida PRIME'S dollar weighted average days to maturity and weighted average life as of September 30, 2022 were 21 days and 72 days, respectively, and there were no redemption fees, maximum transaction amounts, or any other requirements that would limit a participant's daily access to 100% of its account value. A redemption gate of forty-eight (48) hours and up to an additional fifteen (15) days may apply to material withdrawals.

FLGIT Day-to-Day Fund's weighted average maturity for securities held in the Day-to-Day Fund as of September 30, 2022 was 29 days. There were no redemption fees, maximum transaction amounts or restrictions on withdrawals.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Assets, liabilities and fund balance (continued)

a. *Cash and investments (continued)*

The FLGIT Short-Term Bond Fund is an external investment pool that is accounted for as a fluctuating Net Asset Value (NAV) pool. The value of the pool is reflected in its estimates of the market value of the underlying securities rather than their amortized cost and will fluctuate based on market conditions. The fair value of the position in the pool is determined by multiplying the pool's unit balance by the pool's unit price on September 30, 2022. There are no redemption fees, maximum transaction amounts or restrictions on withdrawals. The weighted average maturity for securities held in the Short-Term Bond Fund as of September 30, 2022 was 1.15 years.

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

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

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

b. *Interfund receivables and payables*

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

c. *Prepaid items*

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Assets, liabilities and fund balance (continued)

d. *Capital assets*

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

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

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

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

e. *Unearned revenue*

Unearned revenue at September 30, 2022 consists of monies received under the American Rescue Act Plan ("ARPA") grant. The amount received is the total award allotted to the Town. Funds may be used toward eligible expenses incurred from March 3, 2021 to December 31, 2026. No amounts were charged against the grant as of September 30, 2022.

f. *Compensated absences*

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Assets, liabilities and fund balance (continued)

g. *Deferred inflows of resources*

- Business taxes not yet earned at September 30, 2022 consists of prepaid business taxes due to the Town on October 1 each year.
- Unavailable grant revenue at September 30, 2022 consists of grant revenue earned but not received within the sixty days.

h. *Fund balance*

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

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

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

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

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Assets, liabilities and fund balance (continued)

h. Fund balance (continued)

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

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

i. Property taxes

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

j. Use of estimates

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

NOTE B - BUDGETS

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

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

NOTE B - BUDGETS (continued)

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

NOTE C - CASH AND INVESTMENTS

All cash, cash equivalents, and investments are held in the name of the Town at various financial institutions. Investments are stated at fair value, or amortized cost if it approximates fair value. The carrying amounts of the Town's cash and cash equivalents on September 30, 2022, including restricted cash and cash equivalents of \$10,102 were as follows:

Deposits (in bank)	\$	420,988
Cash on hand		77
SBA Florida PRIME		228,222
FLGIT Day-to-Day Fund		285,356
	<u>\$</u>	<u>934,643</u>

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

The Town maintains an account at a local bank in the Town's name, used for its general daily operations. At September 30, 2022, the bank balance was \$446,843. Monies placed on deposit with financial institutions in the form of demand deposits and time deposits are defined as public deposits. The financial institutions in which the town places its deposits are certified as "qualified public depositories", as required under the Florida Security for Public Deposits Act. All balances in excess of Federal Depository Insurance Corporation ("FDIC") insurance for demand and time deposits are fully collateralized pursuant to Chapter 280, Florida Statutes. All investments are held by the Town's agent in the Town's name.

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

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

NOTE C - CASH AND INVESTMENTS (continued)

At September 30, 2022, the Town reported the following fair value methods, credit ratings and investment holdings percentages:

Investment Type	Fair Value Method	Credit Rating (as applicable)	Available Funds at Fair Value	Percentage of Available Funds
Deposits in bank (1)	N/A	N/A	\$ 446,843	24.10%
SBA Florida PRIME	Amortized Cost	AAAm	228,222	12.30%
FLGIT Day-to-Day Fund	Amortized Cost	AAAm	285,356	15.40%
FLGIT S/T Bond Fund	VNAV	AAAf	894,041	48.20%
			<u>\$ 1,854,462</u>	<u>100.00%</u>

(1) Bank balance at 9/30/22.

NOTE D - RECEIVABLES

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

Short-term receivables as of September 30, 2022 consisted of the following:

	General Fund	Stormwater Utility Fund
Accounts receivable	\$ 22,850	\$ -
Intergovernmental	38,158	12,348
Total	<u>\$ 61,008</u>	<u>\$ 12,348</u>

The Town considers all short-term receivables to be fully collectible at September 30, 2022; therefore, no allowance for doubtful accounts has been recorded.

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

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022 was as follows:

	Beginning Balance	Increases/ Transfers	Decreases/ Transfers	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 65,300	\$ -	\$ -	\$ 65,300
Total capital assets not being depreciated	65,300	-	-	65,300
Capital assets being depreciated:				
Buildings and improvements	319,858	-	-	319,858
Furniture and equipment	235,379	3,809	35,593	203,595
Vehicles	129,139	89,494	40,297	178,336
Infrastructure	542,545	-	-	542,545
Total capital assets being depreciated	1,226,921	93,303	75,890	1,244,334
Less accumulated depreciation for:				
Buildings and improvements	189,168	8,517	-	197,685
Furniture and equipment	146,069	26,657	35,593	137,133
Vehicles	109,668	13,646	40,297	83,017
Infrastructure	150,983	9,694	-	160,677
Total accumulated depreciation	595,888	58,514	75,890	578,512
Capital assets, net	<u>\$ 696,333</u>	<u>\$ 34,789</u>	<u>\$ -</u>	<u>\$ 731,122</u>

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

General government	\$ 1,801
Public safety	27,735
Physical environment	24,242
Unallocated	4,736
Total	<u>\$ 58,514</u>

Depreciation expense in the amount of \$4,736 for capital assets that serve all governmental functions was not allocated to the functions/programs of the Town for fiscal year ended September 30, 2022.

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

NOTE F - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Liabilities reported as accounts payable and accrued liabilities on the statement of net position and balance sheet of the General Fund at September 30, 2022 were as follows:

Current payables due to vendors	\$	35,929
Salaries and wages payable and related liabilities		15,363
Intergovernmental		4,283
Deposits		7,330
		7,330
Total	\$	62,905

NOTE G - LONG-TERM OBLIGATIONS

Changes in accrued compensated absences for the year ended September 30, 2022 are summarized as follows:

		Governmental Activities
Compensated absences, beginning of year	\$	17,185
Additions		872
Reductions		17,433
		17,433
Compensated absences, end of year	\$	624
Amounts due within one year	\$	156

Compensated absences will be liquidated in future periods by the General Fund.

NOTE H - INTERFUND TRANSFERS

The Town makes annual transfers from the Stormwater Utility Fund to the General Fund in accordance with its annual budget in order to reimburse the General Fund for a portion of the expenditures it incurred on behalf of the Stormwater Utility Fund. The amount transferred during the fiscal year ended September 30, 2022 was \$50,000.

At September 30, 2022, there was a balance due from the General Fund to the Stormwater Utility Fund in the amount of \$25,120 and due from the General Fund to Investment Fund A in the amount of \$100,000.

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

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

NOTE I - FUND BALANCES

Fund balances as of September 30, 2022 consisted of the following:

	General Fund	Stormwater Utility Fund	Investment Fund A
Nonspendable			
Prepaid items	\$ 27,019	\$ -	\$ -
Restricted			
Transportation	9,206	-	-
Public safety	896	-	-
Committed	-	37,173	1,279,397
Assigned			
Community house	26,422	-	-
Road and streets	20,000	-	-
Forestry	10,000	-	-
Unassigned	77,282	-	-
Total	\$ 170,825	\$ 37,173	\$ 1,279,397

NOTE J - SECTION 457 DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan (the "Plan") created in accordance with Internal Revenue Code Section 457. The Plan is administered by the ICMA Retirement Corporation and permits an employee to defer a portion of his/her salary until future years. All employees are eligible to participate in the Plan thirty days after hire and there is no minimum amount a participating employee must contribute. The maximum amount an employee may contribute to the Plan is the maximum amount allowable annually by the Internal Revenue Service. The Town will match an employee's contributions, up to 2.5% of the employee's salary, for his/her first year of service. The Town's matching percentage will increase by 0.5% of the employee's salary for each subsequent year of service, up to a maximum of 5.0%. Deferred compensation withdrawals are not available to employees until termination of employment, retirement, death, or an unforeseeable emergency. For the year ended September 30, 2022, the Town's matching contributions totaled \$8,064. In accordance with current professional pronouncements such as GASB 97, the plan is defined as an other employee benefit plan and, therefore, the Town has not included such funds in its financial statements.

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

NOTE K - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. In order to limit its exposure to these risks, the Town is a participant in the Florida League of Cities (a not-for-profit corporation) Florida Municipal Insurance Trust pool (the "Pool") for workers' compensation, general and auto liability, and property insurance. The Pool is a non-assessable, non-profit, tax-exempt risk-sharing pool offering liability, property, health, and workers' compensation programs to governmental entities and provides general liability coverage of \$100,000 per person and \$200,000 per occurrence as prescribed by Section 768.28, Florida Statutes (the "statutory limit"). The Town has specific excess coverage of \$1,500,000, inclusive of the statutory limit, which is available only through a Federal law claim or passage of a *claims bill* through the Legislature. Participants in the Pool are billed quarterly for their share of the costs of the Pool, adjusted for actual expense during the period of coverage. Participants are not assessed for unanticipated losses incurred by the Pool. Premium costs for the year ended September 30, 2022 totaled \$69,068. Settled claims have not exceeded the Town's insurance coverage in any of the past three years.

NOTE L - SUBSEQUENT EVENTS

On November 30, 2022, the Town transferred two police vehicles to the Brevard County Sheriff's Office with an original cost of \$89,775 due to the closure of the Melbourne Village Police Department. The vehicles were funded by the Florida Department of Law Enforcement and therefore the transfer was required under the grant guidelines.

Due to lower expected operating costs, the Town decreased the overall millage from 9.8103 to 9.4381 for the fiscal year ending September 30, 2023.

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

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Town of Melbourne Village, Florida (the "Town"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued my report thereon dated May 31, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. Providing an opinion on compliance with those provisions, however, was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and is listed in the Schedule of Audit Findings as Finding F2022-1.

I noted certain other matters that I reported to management of the Town in a separate letter dated May 31, 2023.

Management's Response to Audit Finding

The Town's response to the finding identified in my audit is included on page 43. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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

Crawford CPA, Inc.

Titusville, Florida
May 31, 2023

**TOWN OF MELBOURNE VILLAGE, FLORIDA
SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**Finding
F2022-1**

Budget Noncompliance

Criteria: 166.241(6) F.S. requires the budget and economic status of the Town be electronically submitted to the Office of Economic and Demographic Research (EDR) by October 15th annually.

Condition: Auditor was informed the FY2021 and FY2022 budgets and other data remained unsubmitted to the EDR as of May 3, 2023, which was out of compliance with 166.241 F.S.

Cause: None of the prior Town Clerk/Treasurers implemented the recommendation from the FY2021 year, listed as Comment 2021-04, regarding developing operating procedures for non-daily, non-routine and annual tasks to aid in ensuring these types of deadlines are not missed.

Effect: The Town was out of compliance with 166.241(6) F.S.

Recommendation: It is recommended that the Town take measures, such as a task list, to ensure deadlines such as these are not missed.

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TOWN OF MELBOURNE VILLAGE

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Management's Response to Audit Finding

May 31, 2023

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

The Town of Melbourne Village respectfully submits the following response to the Schedule of Audit Findings concerning the fiscal year ended September 30, 2022.

Finding F2022-1: Budget Noncompliance

Recommendation: It is recommended that the Town take measures, such as a task list, to ensure deadlines such as these are not missed.

Response: The Town has developed and is now utilizing a master schedule that includes submitting required data to the Office of Economic and Demographic Research (EDR) no later than October 15th annually.

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INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

Report on the Financial Statements

I have audited the financial statements of the Town of Melbourne Village, Florida (the "Town"), as of and for the fiscal year ended September 30, 2022, and have issued my report thereon dated May 31, 2023.

Auditor's Responsibility

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

Other Reporting Requirements

I have issued my Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and my Independent Accountant's Report on Compliance with Section 218.415, Florida Statutes, which is an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated May 31, 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 I determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report.

- a. Status of Prior Year Audit Findings:
 - 1) Finding F2021-1 *Budget Noncompliance* - Partially repeated as Finding F2022-1.
- b. Status of Prior Year Comments and Recommendations:
 - 1) Comment 2021-01 *Fiscal Year-end Schedule* - Corrected.
 - 2) Comment 2021-02 *Building Permits and Inspection Fees* - Repeated as Comment 2022-01 (similar Comment in FY2020 as Comment 2020-03 and FY2019 and FY2018 as Comment 003). Corrected in FY2023 per management.
 - 3) Comment 2021-03 *Purchasing Policy* - Repeated as Comment 2022-02 (similar Comment in FY2020 as Comment 2020-04 and in FY2019 as Comment 004). Corrected in FY2023 per management.

Prior Audit Findings (Continued)

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

- 4) Comment 2021-04 *Policies and Operating Procedures* - Partially corrected and partially included in Finding F2022-1 (similar Comment in FY2020 as Comment 2020-05). Corrected in FY2023 per management.

Official Title and Legal Authority

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

Financial Condition and Management

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

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires that I communicate any recommendations to improve the Town's financial management. In connection with my audit, I consider the comments listed in the attached Schedule of Current Year Comments and Recommendations as Comment 2022-01 through Comment 2022-04 to be recommendations to improve the Town's financial management.

Additional Matters

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

Management's Response to Audit Findings

The Town's response to the recommendations identified in my audit is included on pages 51 to 52. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Letter

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

Crawford CPA, Inc

Titusville, Florida
May 31, 2023

**TOWN OF MELBOURNE VILLAGE, FLORIDA
SCHEDULE OF CURRENT YEAR COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Comment

2022-01 Building Permits and Inspection Fees

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

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

Cause: Although the Town has procedures for closing out permits, it did not have reconciling actual to estimated inspections in those procedures.

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

Recommendation: It is recommended that the Town add reconciling actual inspections to estimated inspections for all or certain types of permits, and a procedure for handling adjustments, to the permit closing process.

**TOWN OF MELBOURNE VILLAGE, FLORIDA
SCHEDULE OF CURRENT YEAR COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Comment

2022-02 Purchasing Policy

Criteria: The Town's purchasing policy states that purchases between \$250.01 and \$2,500 require a purchase order signed by the Mayor and purchases in excess of \$2,500 require Commission approval, and for expenditures not on contract and/or nonrecurring, a review by the Finance Committee. Any purchase of an item, group of related items, or service, the cost of which exceeds \$250.00, requires at least one additional price comparison, with the exception of sole sourced items or services, which should be justified and clearly noted on the purchase order or in the Commission minutes. The Commission may choose to bypass Finance Committee review for an expenditure but this requires a statement for the record of the intent to bypass the policy.

Condition: During the audit, three expenditures over \$250 were paid without a purchase order pre-approving the purchase and did not include price comparisons, or sole source justification for lack of obtaining price comparisons. Five expenditures over \$2,500 were made without mention of bypassing the Finance Committee review process, one of which was not approved in the Commission minutes, belonged in the prior year and included a trade-in of equipment without any apparent disposal authorization. There were several months in the June to September 2022 period when a credit card was used but the receipts were lost. The bills were available online only and, therefore, remained unpaid until September. Some health insurance invoices were also available only online and were not able to be recovered for the audit, but later invoices showed the Town was current on its payments and amounts paid appeared reasonable.

Cause: The written purchasing policy could be more specific with regard to when a purchase order (or some other manner of pre-approval) is required and the policy should require reasons for sole source purchases. It is unclear why several current year purchases over \$250 were not issued purchase orders in advance or why the Finance Committee was bypassed. In addition, turnover of employees in the Town Clerk/Treasurer and Deputy Clerk positions during FY2022 caused issues with timeliness of payments and there seemed to be a misconception that donated money permitted the bypassing of the purchasing policy.

Effect: It appears the purchasing policy was not being consistently followed, leaving the Town open to potential abuses. Late fees were incurred for tardy payments.

Recommendation: It is recommended that the Town consider establishing detailed procedures for processing payments in the absence of a Deputy Clerk or Clerk/Treasurer. It is also recommended that both employees preparing checks for signatures and those signing checks ensure all documentation required of the policy is included with the invoice being paid and that the Commission expressly state when they have chosen to bypass Finance Committee review.

**TOWN OF MELBOURNE VILLAGE, FLORIDA
SCHEDULE OF CURRENT YEAR COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Comment

2022-03 Dual Signatures on Check Disbursements

Criteria: The Town's internal control policy states that every check disbursement must have two authorized signatures. This control has been implemented in order to mitigate the lack of segregation of duties in the Town's administrative office due to the small number of personnel.

Condition: During the audit, seven (7) checks were discovered with only one authorized signature between June 1, 2022 and September 30, 2022.

Cause: The policy for ensuring that checks were signed by two authorized persons prior to the mailing of the disbursements was not consistently followed.

Effect: Check disbursements with only one authorized signature allows one person the ability to write a check without appropriate oversight; thereby providing an opportunity for misappropriation of funds.

Recommendation: It is recommended that the Town ensure all check disbursements have two signatures especially during times of employee transition.

Comment

2022-04 Employee Rate of Pay Changes

Criteria: The Town Commission approves all pay raises, which are then entered into the accounting system to generate paychecks.

Condition: Four salary adjustments were approved in the September 16, 2021 Commission minutes to begin in FY2022, but no employee names were given nor were Employee Change Notices completed and stored in the employees' files. Thus, there is no evidence of which employees received special raises and what those amounts were.

Causes: In years past, the Town included the pay rate adjustments in the minutes by employee name. This ceased in FY2022 making the adjustments difficult to audit.

Effects: The employee pay rates could not be verified without listening to the recording of the September 16, 2021 Commission meeting or relying on the memory of a former Mayor or Commissioner.

Recommendation: It is recommended that the Town implement a process by which employee pay rates can be more readily audited. Suggestions are the reinstatement of Employee Payroll Change forms or a reinstatement of the names of employees' pay rate approvals in the minutes.

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TOWN OF MELBOURNE VILLAGE

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Management's Response to Current Year Comments and Recommendations

May 31, 2023

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

The Town of Melbourne Village respectfully submits the following response to the Schedule of Current Year Comments and Recommendations concerning the fiscal year ended September 30, 2022.

Comment 2022-01: Building Permits and Inspection Fees

Recommendation: It is recommended that the Town add reconciling actual inspections to estimated inspections for all or certain types of permits, and a procedure for handling adjustments, to the permit closing process.

Response: The Town is now completing an audit close out checklist on all permits to ensure inspection charges are accurately reflected and to identify any possible adjustments prior to closing each active permit.

Comment 2022-02: Purchasing Policy

Recommendation: It is recommended that the Town consider establishing detailed procedures for processing payments in the absence of a Deputy Clerk or Clerk/Treasurer. It is also recommended that both employees preparing checks for signatures and those signing checks ensure all documentation required of the policy is included with the invoice being paid and that the Commission expressly state when they have chosen to bypass Finance Committee review.

Response: The Town has updated the Purchasing Policy to better define the process and ensure adherence to the requirements and proper documentation. The Town is also looking into ensuring training and materials are in place in the event of employee absence so that bills during those periods are paid timely.

Comment 2022-03: Dual Signatures on Check Disbursements

Recommendation: It is recommended that the Town ensure all check disbursements have two signatures especially during times of employee transition.

Response: The Town will ensure all check disbursements contain the two required signatures.

Comment 2022-04: Employee Rate of Pay Changes

Recommendation: It is recommended that the Town implement a process by which employee pay rates can be more readily audited. Suggestions are the reinstatement of Employee Payroll Change forms or a reinstatement of the names of employees' pay rate approvals in the minutes.

Response: The Town will use Employee Payroll Change forms for all future approved payroll adjustments.

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

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

I have examined the Town of Melbourne Village, Florida's (the "Town") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2022, as required by Section 10.550, Rules of the Auditor General. Management is responsible for the Town's compliance with those requirements. My responsibility is to express an opinion on the Town's compliance with the specified requirements based on my examination.

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

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

In my opinion, the Town complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2022.

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

Crawford CPA, Inc.

Titusville, Florida
May 31, 2023

