

TOWN OF MELBOURNE VILLAGE, FLORIDA

Annual Financial Report

September 30, 2020

**TOWN OF MELBOURNE VILLAGE, FLORIDA
TOWN OFFICIALS
AT SEPTEMBER 30, 2020**

Mayor:

Heidi Salmon

Vice-Mayor:

Rand Carroll

Commissioners:

Valerie Calenda
David Jones
Fred Anderson
Gerda Murphy
David Sinton

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INDEPENDENT AUDITOR'S REPORT

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

Report of the Financial Statements

I have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Melbourne Village, Florida (the "Town"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Melbourne Village, Florida, as of September 30, 2020, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund, Stormwater Utility Fund and Investment Fund A, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters - Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated June 30, 2021 on my consideration of the Town's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, listed in the table of contents as Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Titusville, Florida
June 30, 2021

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, 2020. 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 \$149,059 over last year.
- Property taxes account for \$461,553 or approximately 48.3 percent of all revenues. This figure was up \$24,566 from last year.
- Other taxes, primarily utility taxes and franchise payments, account for approximately \$192,295 or 20.1 percent of all revenues. This figure was down \$15,385 from the prior year.
- The Town had \$807,455 in expenses related to governmental activities. Total revenues were \$956,514 leaving an excess of revenue over expenses of \$149,059. This excess manifests in the Town's net position as increase in the net capital assets of \$382,018, in restricted funds of \$250, and a decrease in the unrestricted fund balance of \$233,209.
- The Town of Melbourne Village's assets exceeded its liabilities at September 30, 2020 by \$2,098,932. Of this amount, \$717,561 is invested in the Town's capital assets, \$9,785 is restricted for specific purposes, and \$1,371,586 is unrestricted and subject to the Town's discretion. These amounts were increased from the prior year by \$382,018 for capital assets, and by \$250 for restricted assets and decreased by \$233,209 for unrestricted assets.
- The difference between the unrestricted balance of \$1,371,586 on a full accrual basis and the Governmental Funds total fund balances of \$1,371,736 is due to the Town's accrued compensated absences of \$18,146 and the restricted amount of \$9,785, offset by the grant revenue received more than 60 days after year-end of \$27,781. The total fund balance of the Governmental Funds consists of non-spendable, restricted, committed and unassigned amounts. The Town's committed funds consists of \$1,310,899 in the Town's stabilization fund (Investment Fund A) and \$19,132 in the Stormwater Utility Fund. Non-spendable funds consist of \$45,721 for prepaid items and restricted funds consist of \$9,785. Assigned funds of \$203,241 were reclassified to unassigned in accordance with GASB 54. The reclassified assigned funds had included \$109,587 set aside for future road needs (re-pavement and maintenance), \$6,081 received from code enforcement action and set aside for tree related expenses, \$37,494 received from rental fees and set aside for the Community House, \$50,000 set aside for stormwater planning, and \$79 for a historical restoration project. At the end of the current fiscal year, the deficit unassigned fund balance of the general fund was \$13,801.

- The deficit unassigned fund balance was due primarily to the Town waiting until October 2020 to borrow \$100,000 from Investment Fund A for the Dayton Bridge project. In accordance with generally accepted accounting principles, the full amount of the County's approximately \$216,000 invoice for completion of the bridge work was accrued and is included in capital outlay of the General Fund but was not due to be paid until October 2020.

Overview of the Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The Town maintained three individual governmental funds as of October 1, 2019. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the (1) General Fund, (2) Stormwater Utility Fund, and (3) Investment Fund A, because they are considered major funds. The Town has no debt-service fund as there is no long-term debt outstanding.

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

Notes to the Financial Statements

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

Government-wide Financial Analysis

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

Table 1 provides a summary of the Town's net position at September 30, 2020, and changes from the prior year.

Table 1
Summary Statement of Net Position

	Governmental Activities		
	2020	2019	Change
Current and other assets	\$1,647,204	\$1,663,219	\$ (16,015)
Capital assets, net	717,561	335,543	382,018
	<hr/>	<hr/>	<hr/>
Total assets	2,364,765	1,998,762	366,003
	<hr/>	<hr/>	<hr/>
Long-term liabilities	246,295	33,089	213,206
Other liabilities	18,146	15,040	3,106
	<hr/>	<hr/>	<hr/>
Total liabilities	264,441	48,129	216,312
	<hr/>	<hr/>	<hr/>
Deferred inflows of resources	1,392	760	632
	<hr/>	<hr/>	<hr/>
Net position:			
Net investment in capital assets	717,561	335,543	382,018
Restricted	9,785	9,535	250
Unrestricted	1,371,586	1,604,795	(233,209)
	<hr/>	<hr/>	<hr/>
Total net position	<u>\$2,098,932</u>	<u>\$1,949,873</u>	<u>\$ 149,059</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		
	2020	2019	Change
Revenues			
Program revenues:			
Charges for services	\$ 127,658	\$ 104,957	\$ 22,701
Operating grants/contributions	25,210	3,154	22,056
Capital grants/contributions	89,635	26,980	62,655
General revenues:			
Property taxes	461,553	436,987	24,566
Sales taxes	38,983	40,963	(1,980)
Local option motor fuel taxes	17,575	19,056	(1,481)
Utility taxes and franchise fees	135,737	147,661	(11,924)
Intergovernmental revenues	18,657	20,655	(1,998)
Investment revenue	40,019	49,481	(9,462)
Miscellaneous revenue	1,487	1,034	453
Gain on disposal of capital assets	-	2,500	(2,500)
Total revenues	<u>956,514</u>	<u>853,428</u>	<u>103,086</u>
Expenses			
General government	201,315	197,493	3,822
Public safety	401,534	382,735	18,799
Physical environment	200,598	183,499	17,099
Unallocated depreciation	4,008	3,821	187
Total expenses	<u>807,455</u>	<u>767,548</u>	<u>39,907</u>
Change in net position	149,059	85,880	63,179
Net position, beginning	<u>1,949,873</u>	<u>1,863,993</u>	<u>85,880</u>
Net position, ending	<u>\$2,098,932</u>	<u>\$ 1,949,873</u>	<u>\$ 149,059</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 \$807,455.
- Operating Grants and donations provided \$25,210, Capital Grants and donations provided \$89,635, and user fees and charges for services generated \$127,658.
- Most of the Town's costs were, however, financed by Town and State taxpayers.
- The difference in revenues from 2019 to 2020 was an increase of \$103,086. The major factors contributing to this increase in revenue were the increase in Property Taxes of \$24,566, an increase in charges for services of \$22,701, Capital Grants and donations of \$62,655, which includes grants and donations for public safety equipment, Operating Grants and donations of \$22,056, a decrease of \$11,924 in Utility Taxes, a decrease in Investment revenue of \$9,462, and various minor changes up and down throughout the budget.
- Property taxes account for the largest source of the Town's revenue, contributing over 48 cents for every dollar of revenue (see Table 3). The millage rate of 9.8734, with the new construction, generated \$24,566 more than in 2019.
- In summary, governmental activities were financed with \$653,848 in taxes and franchise fees, \$127,658 in charges for services, \$25,210 in operating grants and contributions, \$89,635 in capital grants and donations, \$18,657 in intergovernmental revenue, \$40,019 in investment earnings, and \$1,487 in miscellaneous revenue for a total of \$956,514.

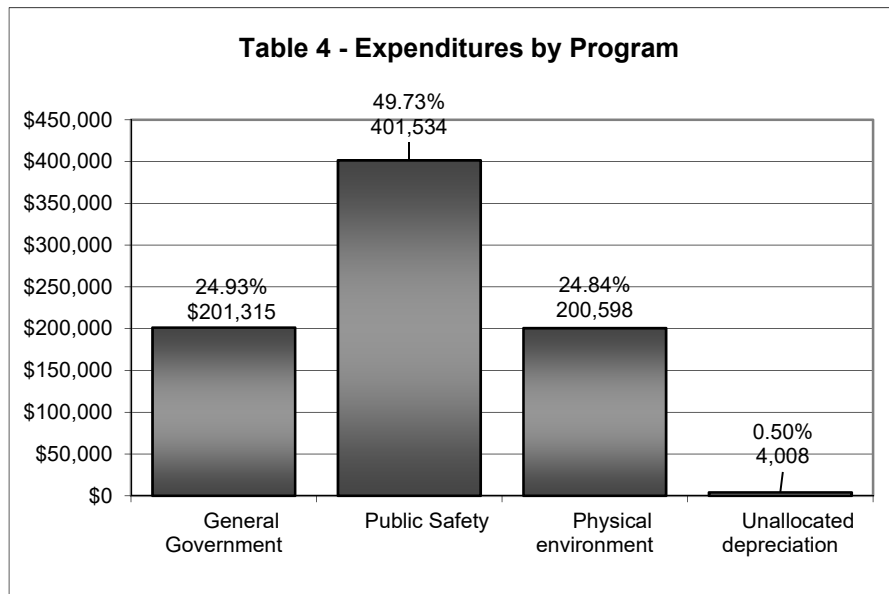
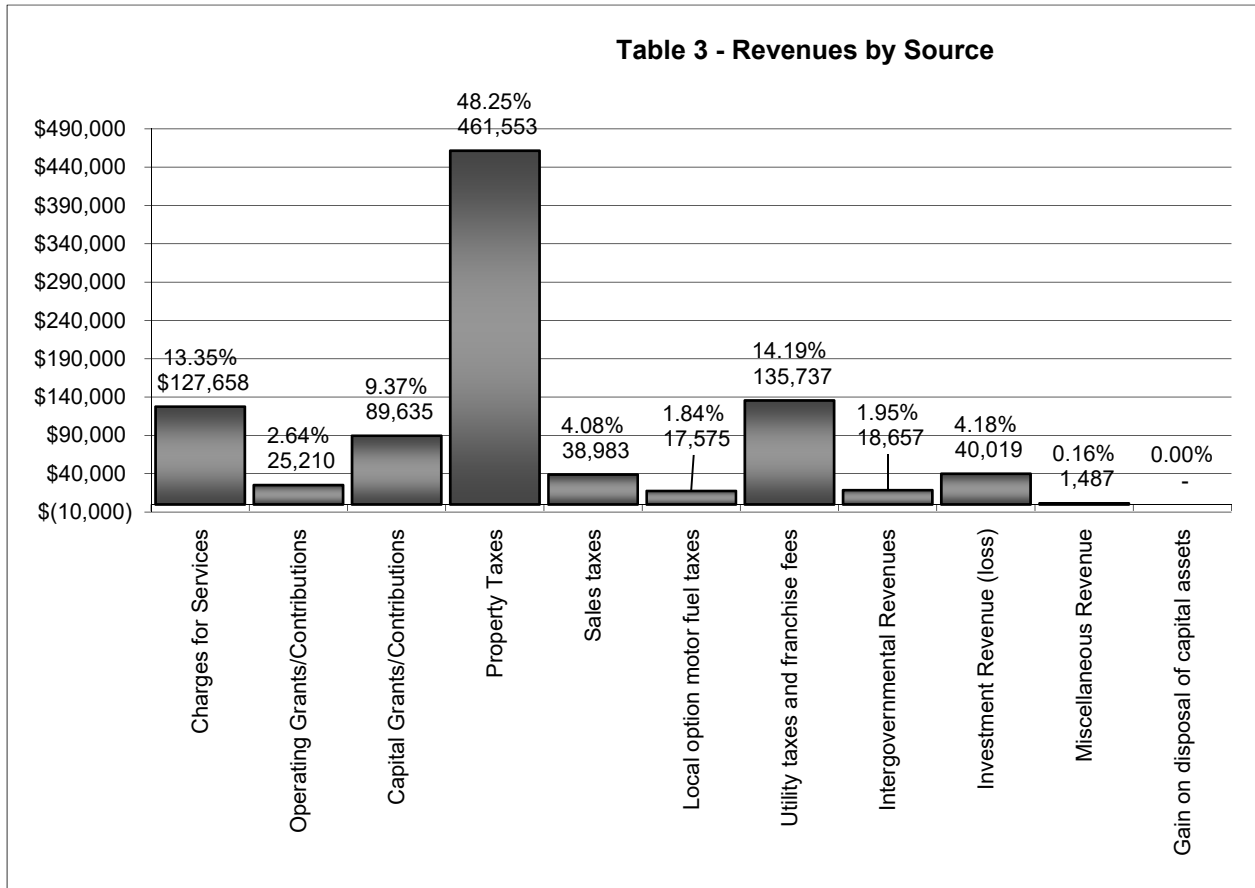
The Town's expenses predominantly relate to law enforcement, public works, and administration services, which includes support for the building permit department and the general governmental functions of the Town. Given that the Town is a service organization providing governmental services to residents,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

Total expenses in 2020 were \$807,455. This was a \$39,907 increase from those of 2019. The most significant contributions to this difference were an increase of \$15,000 for a lobbyist, a decrease of \$19,740 in payroll and payroll related items, an increase of \$9,000 in depreciation expense, a \$12,000 increase in compensated absence expense, an increase of \$5,800 to the building official, an increase of \$5,000 for public safety operating supplies, and various lesser increases and decreases throughout the budget totaling approximately \$13,000.

The net increase in capital assets was \$382,018, after reducing capital assets by \$47,978 for depreciation. Capital activities included the following major increases:

- The Town expended \$294,604 on the final phase of the Dayton Blvd Bridge Project and \$27,763 to replace the foundation for the Community House.
- The Police Department expended \$63,800 on public safety equipment.
- The Public Works Department purchased a commercial mower for \$8,709 and purchased a garage, and added the necessary foundation, for a total of \$27,021 to store equipment.

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



Financial Analysis of the Town's Funds

The Town's governmental funds are accounted for using the modified accrual basis of accounting. Governmental funds have total revenues of \$928,733 and expenditures of \$1,186,367. The net change in fund balance for the year was (\$257,634).

General Fund Budgetary Highlights

The Town approves a budget in September based on anticipated revenue for the following year. The Town frequently adopts a revision to the annual budget late in the year. The Town adopted Ordinance 2020-04, a revised annual operating budget for the fiscal year 2019-20, in November 2020. The anticipated revenues were increased in the revised budget by \$51,284 due primarily to expected increases in utilities taxes and franchise fees, licenses and permits and other fees, and donations, an expected decrease in community house user fees while it was unavailable, and a few minor adjustments. Anticipated expenditures were increased by \$227,410 from the original budget due to an increase in capital outlay funds of \$193,850 for purchases of equipment, the Town garage and the completion of the Dayton Bridge project. Anticipated expenditures were also increased for payroll and related expenses of approximately \$18,850. Other changes totaled a reduction of about \$14,700.

The actual revenues were \$30,128 more than budgeted due largely to an increase in capital grants received of approximately \$53,000 offset by receiving less taxes and franchise fee revenue than expected of approximately \$20,000.

The actual expenditures were \$44,133 under budget, largely due to less expended than anticipated for capital assets and group health insurance, plus minor overages and savings in various items throughout the budget.

Capital Assets

By the end of the fiscal year 2019-20, the Town had invested \$717,561 (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		
	2020	2019	Change
Land	\$ 65,300	\$ 65,300	\$ -
Construction in progress	-	74,775	(74,775)
Buildings and improvements	136,509	85,415	51,094
Furniture and equipment	107,451	50,451	57,000
Vehicles	29,245	41,343	(12,098)
Infrastructure	379,056	18,259	360,797
Total	\$ 717,561	\$ 335,543	\$ 382,018

Long-Term Debt

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

Factors Bearing on the Town's Future

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

- While the Town is close to build-out as far as vacant home-sites are concerned, we are seeing a steady trend towards major remodeling as well as demolishing existing homes and rebuilding on those existing home-sites. The current upturn in the market is causing an increase in remodeling projects and tear down/rebuilds, as well as property value increases. Melbourne Village is a desirable location with a significant inventory of older houses, so we anticipate that the Town will continue to see one to two major single-family-home building/remodeling permits per year.
- Because most of the Town's expenses are in the form of compensation (salaries and benefits) to the Town's employees, increases in the cost of providing benefits, and increases in compensation are the major factors in increasing the budget each year. In past years the Town has covered this increase by increasing the ad valorem property tax rate by 10% over the roll back rate. The actions of the State Legislature, combined with the fall in property values in 2008 through 2012 pushed the millage rate over 9 mills, flirting with the 10 mill cap. Recovering property values are again creating roll-backs, but the Town is still limited by this cap. The Town, therefore, may need to fund these increases from other sources or consider a reduction in levels of service in the future. In 2020 the Town Commission made changes in the Health Insurance coverage for Town employees with anticipation of seeing a savings of \$10,000 to \$20,000, depending on enrollment. However, due to inaccurate coding and lack of oversight stemming from COVID absences the savings were not realized. The Town continues to seek amendments to its healthcare coverage to employees in 2021 due to its current provider getting out of the commercial business.
- As a result of the economic effects of the COVID-19 shut-down the State was faced with increasing deficits in funding. The Town faced reductions in state revenues as legislation made up shortfalls elsewhere by rewriting formulas for distribution of these funds. The Town may also face un-funded mandates, as the legislature adopts new requirements and programs without funding behind them. The Town also experienced a lack of personal in 2020 due to COVID issues. The Town will face a short-term reduction in revenue due to lost revenue from the long closure of the Community House. As of June 2021, the Community House was re-opened with an increase in user fees by double, to help promote a continued self-sustaining venture for its use. Additionally, in 2021 the Federal Government will be providing an unknown amount of stimulus to municipalities in which the Town has applied for.

- The Dayton Blvd bridge project was completed in the 2019-20 fiscal year. The Town Commission adopted Resolution 2020-01 in February 2020 enabling an interfund loan from the Special Investment Fund (Investment Fund A) to the General Fund to pay the cost of the 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 portion of the loan allocated to the replacement of the road, which has yet to be determined but is estimated to be approximately \$140,000, is to be covered by General Fund revenues, including State Gas Tax, over the loan period. The Town borrowed \$100,000 in October of 2020 from Investment Fund A. As of June 2021, the loan repayment has not commenced; however, the Town was entitled to but has not yet removed 50% of the interest earned in Investment Fund A for several years totaling approximately \$37,000. As a result, this amount may be apportioned to the loan repayments with approval of the Town Commission.

The loan portion of the Dayton Blvd bridge project that is allocated to stormwater activities will be repaid through increased stormwater utility fees. The Town Commission adopted Resolution 2019-06 in September 2019, due to estimating the share of the project attributable to removing the old culvert and replacing it to be approximately \$235,000. Resolution 2019-06 provides an increase to the stormwater utility fee of \$5.00 per month per equivalent residential unit (ERU) to repay the loan. This increased utility fee began in February 2020 with no set ending date at this time.

- Other projects during FY 2021 include repairs to the Community House of between \$11,000 and \$16,000, relocating the Pedestrian Bridge at a cost of approximately \$23,000 and the culvert replacement at Live Oak and Hammock Road at an estimated cost of \$20,000 to \$40,000 with the condition of two other culverts being examined as well. The Town is actively seeking grant funds for the culverts. Please see Note L - Subsequent Events in the Notes to Financial Statements for additional details.

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, 2020

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,517,282
Accounts receivable	70,894
Prepaid items	45,721
Restricted assets:	
Cash and cash equivalents	9,785
Note receivable (net)	3,522
Capital assets (not being depreciated):	
Land	65,300
Capital assets (net of accumulated depreciation):	
Buildings and improvements	136,509
Furniture and equipment	107,451
Vehicles	29,245
Infrastructure	379,056
Total assets	2,364,765
 LIABILITIES	
Accounts payable and accrued liabilities	246,195
Unearned revenue	100
Noncurrent liabilities:	
Due within one year	4,537
Due in more than one year	13,609
Total liabilities	264,441
 DEFERRED INFLOWS OF RESOURCES	
Business taxes not yet earned	1,392
Total deferred inflows of resources	1,392
 NET POSITION	
Net investment in capital assets	717,561
Restricted for:	
Transportation (impact fees)	9,207
Public safety (impact fees)	100
Law enforcement trust fund	149
Law enforcement education	329
Unrestricted	1,371,586
Total net position	\$ 2,098,932

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, 2020**

<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	\$ 201,315	\$ 45,474	\$ 900	\$ 1,350	\$ (153,591)
Public safety	401,534	17,058	23,510	63,220	(297,746)
Physical environment	200,598	65,126	800	25,065	(109,607)
Unallocated depreciation	4,008	-	-	-	(4,008)
Total government	<u>\$ 807,455</u>	<u>\$ 127,658</u>	<u>\$ 25,210</u>	<u>\$ 89,635</u>	<u>(564,952)</u>

General revenues:	
Property taxes	461,553
Sales taxes	38,983
Local option motor fuel taxes	17,575
Utility taxes and franchise fees	135,737
Intergovernmental revenues	18,657
Investment income (loss)	40,019
Miscellaneous revenues	1,487
Total general revenues	<u>714,011</u>
Change in net position	149,059
Net position - beginning	<u>1,949,873</u>
Net position - ending	<u>\$ 2,098,932</u>

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

**TOWN OF MELBOURNE VILLAGE, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020**

	<u>General Fund</u>	<u>Stormwater Utility Fund</u>	<u>Investment Fund A</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 206,383	\$ -	\$ 1,310,899	\$ 1,517,282
Accounts receivable	54,641	16,253	-	70,894
Prepaid items	45,721	-	-	45,721
Due from other funds	-	3,151	-	3,151
Restricted assets:				
Cash and cash equivalents	9,785	-	-	9,785
Note receivable (net)	3,522	-	-	3,522
Total assets	<u>\$ 320,052</u>	<u>\$ 19,404</u>	<u>\$ 1,310,899</u>	<u>\$ 1,650,355</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued liabilities	\$ 245,923	\$ 272	\$ -	\$ 246,195
Due to other funds	3,151	-	-	3,151
Unearned revenue	100	-	-	100
Total liabilities	<u>249,174</u>	<u>272</u>	<u>-</u>	<u>249,446</u>
Deferred Inflows of Resources				
Business taxes not yet earned	1,392	-	-	1,392
Unavailable grant revenue	27,781	-	-	27,781
Total deferred inflows of resources	<u>29,173</u>	<u>-</u>	<u>-</u>	<u>29,173</u>
Fund Balances				
Nonspendable	45,721	-	-	45,721
Restricted	9,785	-	-	9,785
Committed	-	19,132	1,310,899	1,330,031
Unassigned	(13,801)	-	-	(13,801)
Total fund balances	<u>41,705</u>	<u>19,132</u>	<u>1,310,899</u>	<u>1,371,736</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 320,052</u>	<u>\$ 19,404</u>	<u>\$ 1,310,899</u>	<u>\$ 1,650,355</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, 2020**

Fund balances - total governmental funds \$ 1,371,736

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	136,509	
Furniture and equipment, net	107,451	
Vehicles, net	29,245	
Infrastructure, net	<u>379,056</u>	717,561

Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds (18,146)

Deferred inflow of resources in governmental funds earned in the current period but not received within sixty days of year-end are not reported in governmental funds but are susceptible to full accrual on the entity-wide statements:

Unavailable grant revenue	27,781	
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Net position of governmental activities \$ 2,098,932

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, 2020

	<u>General Fund</u>	<u>Stormwater Utility Fund</u>	<u>Investment Fund A</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes and franchise fees	\$ 614,865	\$ -	\$ -	\$ 614,865
Licenses and permits and other fees	48,957	65,126	-	114,083
Intergovernmental revenues	119,692	-	-	119,692
Fines and forfeitures	2,505	-	-	2,505
Investment income (net)	3,812	-	36,207	40,019
Miscellaneous revenue	37,569	-	-	37,569
Total revenues	<u>827,400</u>	<u>65,126</u>	<u>36,207</u>	<u>928,733</u>
EXPENDITURES				
Current				
General government	196,413	-	-	196,413
Public safety	381,336	-	-	381,336
Physical environment	175,376	3,246	-	178,622
Capital outlay	429,996	-	-	429,996
Total expenditures	<u>1,183,121</u>	<u>3,246</u>	<u>-</u>	<u>1,186,367</u>
Excess (deficiency) of revenues over (under) expenditures	(355,721)	61,880	36,207	(257,634)
OTHER FINANCING SOURCES (USES)				
Transfers in	45,000	-	-	45,000
Transfers out	-	(45,000)	-	(45,000)
Total other financing sources (uses)	<u>45,000</u>	<u>(45,000)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(310,721)</u>	<u>16,880</u>	<u>36,207</u>	<u>(257,634)</u>
Fund balances, beginning of year	<u>352,426</u>	<u>2,252</u>	<u>1,274,692</u>	<u>1,629,370</u>
Fund balances, end of year	<u>\$ 41,705</u>	<u>\$ 19,132</u>	<u>\$ 1,310,899</u>	<u>\$ 1,371,736</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, 2020

Net change in fund balances - total governmental funds \$ (257,634)

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	\$ 429,996	
Current year depreciation	<u>(47,978)</u>	382,018

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	27,781
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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:

Accrued compensated absences	(3,106)
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Change in net position of governmental activities	<u><u>\$ 149,059</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, 2020

	<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	\$ 621,129	\$ 634,828	\$ 614,865	\$ (19,963)
Licenses and permits and other fees	29,850	51,601	48,957	(2,644)
Intergovernmental revenues	66,409	66,409	119,692	53,283
Fines and forfeitures	3,000	3,000	2,505	(495)
Investment income (net)	6,000	3,900	3,812	(88)
Miscellaneous revenue	19,600	37,534	37,569	35
Total revenues	<u>745,988</u>	<u>797,272</u>	<u>827,400</u>	<u>30,128</u>
EXPENDITURES				
Current				
General government	218,223	228,679	196,413	32,266
Public safety	349,464	362,311	381,336	(19,025)
Physical environment	159,657	169,914	175,376	(5,462)
Capital outlay	272,500	466,350	429,996	36,354
Total expenditures	<u>999,844</u>	<u>1,227,254</u>	<u>1,183,121</u>	<u>44,133</u>
Excess (deficiency) of revenues over (under) expenditures	(253,856)	(429,982)	(355,721)	74,261
OTHER FINANCING SOURCES (USES)				
Transfers in	53,000	65,000	45,000	(20,000)
Total other financing sources (uses)	<u>53,000</u>	<u>65,000</u>	<u>45,000</u>	<u>(20,000)</u>
Net change in fund balances	(200,856)	(364,982)	(310,721)	54,261
Fund balances, beginning of year	352,426	352,426	352,426	-
Fund balances, end of year	<u>\$ 151,570</u>	<u>\$ (12,556)</u>	<u>\$ 41,705</u>	<u>\$ 54,261</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, 2020

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Licenses and permits and other fees	\$ 49,500	\$ 74,250	\$ 65,126	\$ (9,124)
Total revenues	<u>49,500</u>	<u>74,250</u>	<u>65,126</u>	<u>(9,124)</u>
EXPENDITURES				
Current				
Physical environment	4,500	4,500	3,246	1,254
Total expenditures	<u>4,500</u>	<u>4,500</u>	<u>3,246</u>	<u>1,254</u>
Excess (deficiency) of revenues over (under) expenditures	45,000	69,750	61,880	(7,870)
OTHER FINANCING SOURCES (USES)				
Transfers out	(45,000)	(45,000)	(45,000)	-
Total other financing sources (uses)	<u>(45,000)</u>	<u>(45,000)</u>	<u>(45,000)</u>	<u>-</u>
Net change in fund balances	-	24,750	16,880	(7,870)
Fund balances, beginning of year	<u>2,252</u>	<u>2,252</u>	<u>2,252</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 2,252</u></u>	<u><u>\$ 27,002</u></u>	<u><u>\$ 19,132</u></u>	<u><u>\$ (7,870)</u></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, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Investment income (net)	\$ 16,000	\$ 17,000	\$ 36,207	\$ 19,207
Total revenues	<u>16,000</u>	<u>17,000</u>	<u>36,207</u>	<u>19,207</u>
EXPENDITURES				
Current				
General government	-	1,000	-	1,000
Total expenditures	<u>-</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>36,207</u>	<u>20,207</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(8,000)</u>	<u>(20,000)</u>	-	20,000
Total other financing sources (uses)	<u>(8,000)</u>	<u>(20,000)</u>	-	20,000
Net change in fund balances	8,000	(4,000)	36,207	40,207
Fund balances, beginning of year	<u>1,274,692</u>	<u>1,274,692</u>	<u>1,274,692</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 1,282,692</u></u>	<u><u>\$ 1,270,692</u></u>	<u><u>\$ 1,310,899</u></u>	<u><u>\$ 40,207</u></u>

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

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TOWN OF MELBOURNE VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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, 2020

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, 2020

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, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Investment Fund A (continued)

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

4. Assets, liabilities and fund balance

a. *Cash and investments*

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

Florida PRIME is an external investment pool that seeks to operate in a manner consistent with the criteria and requirements in GASB 79, including diversification, credit quality and maturity conditions. Accordingly, portfolio assets in the fund are reported using the amortized cost method and the fund seeks to maintain a stable Net Asset Value (NAV) of \$1.00 per share. The fair value of the position in the pool is substantially equal to the value of the pool shares. The dollar weighted average days to maturity and weighted average life as of September 30, 2020 were 48 days and 63 days, respectively, and there were no redemption fees, maximum transaction amounts, or any other requirements that would limit a participant's daily access to 100% of its account value. A redemption gate of forty-eight (48) hours and up to an additional fifteen (15) days may apply to material withdrawals.

FLGIT Day-to-Day Fund is an external investment pool that has characteristics consistent with GASB 79 requirements to allow measurement of its investments at amortized cost. As a result, the pool seeks to maintain a stable Net Asset Value (NAV) of \$1.00 per share. The fair value of the position in the pool is substantially equal to the value of the pool shares. There were no redemption fees, maximum transaction amounts or restrictions on withdrawals. The weighted average maturity for securities held in the Day-to-Day Fund as of September 30, 2020 was 38 days.

TOWN OF MELBOURNE VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Assets, liabilities and fund balance (continued)

a. *Cash and investments (continued)*

FLGIT Short-Term Bond Fund is an external investment pool that is accounted for as a fluctuating or Variable Net Asset Value (VNAV) pool. The value of the pool is reflected in its estimates of the market value of the underlying securities rather than their amortized cost and will fluctuate based on market conditions. The fair value of the position in the pool is substantially equal to the value of the pool shares. There are no redemption fees, maximum transaction amounts or restrictions on withdrawals. The weighted average maturity for securities held in the Short-Term Bond Fund as of September 30, 2020 was 2.29 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.”

At September 30, 2020, there was a balance due from the General Fund to the Stormwater Utility Fund in the amount \$3,151.

**TOWN OF MELBOURNE VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Assets, liabilities and fund balance (continued)

c. Prepaid items

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

d. Capital assets

Capital assets include land, buildings, furniture, equipment, vehicles and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) and are reported in the government-wide financial statements. Capital assets purchased or acquired are recorded at historical cost or estimated historical cost. Contributed assets are recorded at fair value as of the date received. 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, 2020 consists primarily of rental fees collected in advance for subsequent year usage of the Town's Community House.

**TOWN OF MELBOURNE VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Assets, liabilities and fund balance (continued)

f. Compensated absences

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

g. Deferred inflows of resources

- Business taxes not yet earned at September 30, 2020 consists of prepaid business taxes due to the Town on October 1 each year.
- Unavailable grant revenue at September 30, 2020 consists of grant revenue earned but not received within sixty days.

h. Fund balance

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

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

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

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

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

TOWN OF MELBOURNE VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Assets, liabilities and fund balance (continued)

h. Fund balance (continued)

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

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

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

i. Property taxes

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

j. Use of estimates

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

**TOWN OF MELBOURNE VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE B - BUDGETS

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

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

NOTE C - DEPOSITS AND INVESTMENTS

All cash, cash equivalents, and investments are held in the name of the Town at various financial institutions. Investments are stated at fair value, or amortized cost if it approximates fair value. The carrying amounts of the Town's cash and cash equivalents on September 30, 2020, including restricted cash and cash equivalents of \$9,785, were as follows:

Deposits (in bank)	\$	50,838
Cash on hand		135
SBA Florida PRIME		165,195
FLGIT Day-to-Day Fund		382,977
FLGIT S/T Bond Fund		927,922
	<u>\$</u>	<u>1,527,067</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, 2020, the bank balance was \$83,385. Monies placed on deposit with financial institutions in the form of demand deposits and time deposits are defined as public deposits. The financial institutions in which the town places its deposits are certified as "qualified public depositories", as required under the Florida Security for Public Deposits Act. All balances in excess of Federal Depository Insurance Corporation ("FDIC") insurance for demand and time deposits are fully collateralized pursuant to Chapter 280, Florida Statutes. All investments are held by the Town's agent in the Town's name.

**TOWN OF MELBOURNE VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE C - DEPOSITS AND INVESTMENTS (continued)

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

At September 30, 2020, 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	\$ 83,385	5.30%
SBA Florida PRIME	Amortized Cost	AAAm	165,195	10.60%
FLGIT Day-to-Day Fund	Amortized Cost	AAAm	382,977	24.60%
FLGIT S/T Bond Fund	VNAV	AAAf	927,922	59.50%
			<u>\$ 1,559,479</u>	<u>100.00%</u>

(1) Bank balance at 9/30/20.

NOTE D - RECEIVABLES

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

Short-term receivables as of September 30, 2020 consisted of the following:

	General Fund	Stormwater Utility Fund
Accounts receivable	\$ 17,655	\$ -
Intergovernmental	36,986	16,253
Total	<u>\$ 54,641</u>	<u>\$ 16,253</u>

The Town considers all short-term receivables to be fully collectible at September 30, 2020; therefore, no allowance for doubtful accounts has been recorded.

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

Long-term receivables as of September 30, 2020 consisted of the following amount due from a former employee at no interest rate.

	General Fund
Note receivable	\$ 7,044
Less: Allowance for doubtful accounts	(3,522)
Total	<u>\$ 3,522</u>

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

**TOWN OF MELBOURNE VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020 was as follows:

	Beginning Balance	Increases/ Transfers	Decreases/ Transfers	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 65,300	\$ -	\$ -	\$ 65,300
Construction in progress	74,775	-	74,775	-
Total capital assets not being depreciated	<u>140,075</u>	<u>-</u>	<u>74,775</u>	<u>65,300</u>
Capital assets being depreciated:				
Buildings and improvements	257,809	58,939	-	316,748
Furniture and equipment	162,970	76,453	11,076	228,347
Vehicles	129,139	-	-	129,139
Infrastructure	151,366	369,379	-	520,745
Total capital assets being depreciated	<u>701,284</u>	<u>504,771</u>	<u>11,076</u>	<u>1,194,979</u>
Less accumulated depreciation for:				
Buildings and improvements	172,394	7,845	-	180,239
Furniture and equipment	112,519	19,453	11,076	120,896
Vehicles	87,796	12,098	-	99,894
Infrastructure	133,107	8,582	-	141,689
Total accumulated depreciation	<u>505,816</u>	<u>47,978</u>	<u>11,076</u>	<u>542,718</u>
Capital assets, net	<u>\$ 335,543</u>	<u>\$ 456,793</u>	<u>\$ 74,775</u>	<u>\$ 717,561</u>

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

General government	\$ 1,891
Public safety	20,307
Physical environment	21,772
Unallocated	4,008
Total	<u>\$ 47,978</u>

Depreciation expense in the amount of \$4,008 for capital assets that serve all governmental functions was not allocated to the functions/programs of the Town for fiscal year ended September 30, 2020.

**TOWN OF MELBOURNE VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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, 2020 were as follows:

Current payables due to vendors	\$	224,758
Salaries and wages payable and related liabilities		14,531
Intergovernmental		3,006
Deposits		3,900
		3,900
Total	\$	246,195

NOTE G - LONG-TERM OBLIGATIONS

Changes in accrued compensated absences for the year ended September 30, 2020 are summarized as follows:

		Governmental Activities
		15,040
Compensated absences, beginning of year	\$	15,040
Additions		22,551
Reductions		19,445
		18,146
Compensated absences, end of year	\$	18,146
Amounts due within one year	\$	4,537

**TOWN OF MELBOURNE VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE H - FUND BALANCES

Fund balances as of September 30, 2020 consisted of the following:

	General Fund	Stormwater Utility Fund	Investment Fund A
Nonspendable			
Prepaid items	\$ 45,721	\$ -	\$ -
Restricted			
Transportation	9,207	-	-
Public safety	578	-	-
Committed	-	19,132	1,310,899
Unassigned	(13,801)	-	-
Total	<u>\$ 41,705</u>	<u>\$ 19,132</u>	<u>\$ 1,310,899</u>

All assigned fund balances were converted to unassigned for FY2020 in accordance with GASB 54 which states that assignments should be reduced to eliminate to the extent possible a deficit in unassigned fund balance.

NOTE I - INTERFUND TRANSFERS

The Town makes annual transfers from the Stormwater Utility Fund to the General Fund in accordance with its annual budget in order to reimburse the General Fund for a portion of the expenditures it incurred on behalf of the Stormwater Utility Fund. The amount transferred during the fiscal year ended September 30, 2020 was \$45,000.

NOTE J - SECTION 457 DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan (the "Plan") created in accordance with Internal Revenue Code Section 457. The Plan is administered by the ICMA Retirement Corporation and permits an employee to defer a portion of his/her salary until future years. All employees are eligible to participate in the Plan thirty days after hire and there is no minimum amount a participating employee must contribute. The maximum amount an employee may contribute to the Plan is the maximum amount allowable annually by the Internal Revenue Service. The Town will match an employee's contributions, up to 2.5% of the employee's salary, for his/her first year of service. The Town's matching percentage will increase by 0.5% of the employee's salary for each subsequent year of service, up to a maximum of 5.0%. Deferred compensation withdrawals are not available to employees until termination of employment, retirement, death, or an unforeseeable emergency. For the year ended September 30, 2020, the Town's matching contributions totaled \$15,048. In accordance with current professional pronouncements, the Town has not included such funds in its financial statements.

TOWN OF MELBOURNE VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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, 2020 totaled \$59,180. Settled claims have not exceeded the Town's insurance coverage in any of the past three years.

NOTE L - SUBSEQUENT EVENTS

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. The terms of the loan are 2% per annum over a ten year repayment period.

A Pedestrian Bridge was placed back into service in May 2021, which included barriers and concrete walkways. The total cost for the project in 2021 was approximately \$23,000.

During April 2021, The Community House was found to be in need of bad repair due to extensive wood rot in the exterior walls, in need of handicapped ramps, and in need of new doors. Expenditures in 2021 are expected to be approximately \$15,000. After review of the pertinent fees for usage, the Commission decided to double the Community House fees for its use and upkeep. The Commission will continue to investigate this cost as the building continues to age.

The culvert at the intersection of Live Oak and Hammock Road collapsed in May of 2021. This was due to a metal pipe fitted over thirty years ago that had a thirty-year life expectancy coupled with the heavy traffic due to home buildings. The cost of repair after quotes will be substantial and the Town has already received estimates from \$20,000 to \$40,000, pending engineering review. Two other culverts are also being examined for structural integrity.

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, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued my report thereon dated June 30, 2021.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings as Finding F2020-1 that I consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed 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 F2020-2.

I noted certain other matters that I reported to management of the Town in a separate letter dated June 30, 2021.

Management's Response to Audit Findings

The Town's response to the findings identified in my audit is included on pages 41 and 42. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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



Titusville, Florida
June 30, 2021

**TOWN OF MELBOURNE VILLAGE, FLORIDA
SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**Finding
F2020-1**

Timeliness of Year-End Accounting and Reporting Processes

Criteria: The Town created a schedule of due dates for completion of each major year-end process to inform all parties of expected turnaround times required to meet reporting deadlines and to facilitate the timely delivery of final financial statements for audit with enough lead time for proper oversight.

Condition: The Town experienced a change in key personnel shortly after year end. Final financial statements were not completed until the last week of June 2021; therefore, the FY2020 audit will not be completed and accepted by the Town Commission before the June 30, 2021 deadline due to insufficient lead time.

Cause: The change in personnel prompted the Town to solicit and hire an accounting consultant midway into the subsequent fiscal year with extensive accrual basis accounting experience but little modified accrual basis experience and no experience with the Town. In addition to this learning curve, the consultant was also delayed in preparing financial statements in part by spending valuable time correcting errors in the account balances.

Effect: The change in personnel delayed the closing of the fiscal year as new personnel gained knowledge of the Town's processes and corrected errors. This left insufficient time for (1) designated personnel to perform an adequate review the financial statements; or (2) the audit to be completed and accepted in time for the June 30, 2021 deadline.

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

**TOWN OF MELBOURNE VILLAGE, FLORIDA
SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**Finding
F2020-2**

Reporting Deadline

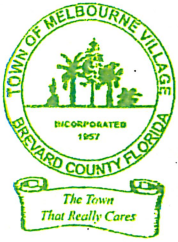
Criteria: Florida Statute (F.S.) 218.32 requires the Town to submit to the Florida Department of Financial Services (“DFS”) a copy of its audit report and annual financial report within forty-five days after the completion of the audit report but no later than nine months after the end of the fiscal year. 218.32 F.S. also requires the Town to include a link to the DFS website to view the Town’s annual financial report submission.

Condition: The audit report for the fiscal year ended September 30, 2019 was accepted by the Town Commission on June 29, 2020 but the Town did not submit the audit report and the annual financial report to the DFS prior to July 1, 2020. The Town’s website does not contain any link to the DFS website.

Cause: The Town did not have sufficient oversight over these types of deadlines and the website link requirement was previously unknown.

Effect: The Town was not in compliance with 218.32 F.S.

Recommendation: The Town should submit a copy of its audit report and annual financial report to the Department of Financial Services (“DFS”) within forty-five days after the completion of the audit report but not later than nine months after the end of its fiscal year and include a link on the Town’s website to the Town’s annual financial report filed with the DFS.



TOWN OF MELBOURNE VILLAGE

555 Hammock Road • Melbourne Village • Brevard County, Florida 32904-2513
Telephone: (321) 723-8300 • Fax: (321) 984-7219
Email: town@melbournevillage.org

June 30, 2021.

The Honorable Mayor Niemann and Town Commission
Town of Melbourne Village
Melbourne Village, Florida

RE: Audit Findings

Dear Mayor Niemann and Town Commission,

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

The following response is given to the schedule concerning the fiscal year 2019-2020.

Finding F2020-1: Timeliness of Year-End Accounting and Reporting Processes

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

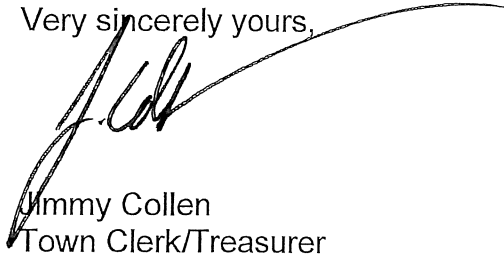
Response: The Town Clerk/Treasurer will work with an accounting consultant to make sure reports are filed appropriately and accurately while critiquing current procedures with the consultant. Additionally, the Town Clerk's Office will be working with a new year-end deadline; start date to commence October 31 to ensure appropriate, timely and accurate filing.

Finding F2020-2: Reporting Deadlines

Recommendation: The Town should submit a copy of its audit report and annual financial report to the Department of Financial Services ("DFS") within forty-five days after the completion of the audit report but not later than nine months after the end of its fiscal year and include a link on the Town's website to the Town's annual financial report filed with the DFS.

Response: The Town will ensure all reports are submitted and comply with Florida Statutes. In addition, the current Town website will be updated by placing a link to these documents on the Town's website.

Very sincerely yours,

A handwritten signature in black ink, appearing to read "J. Collen", is written over a long, sweeping horizontal line that extends across the width of the signature area.

Jimmy Collen
Town Clerk/Treasurer

cc: Linda Crawford, CPA, CFE
Florida Auditor General

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, 2020, and have issued my report thereon dated June 30, 2021.

Auditor's Responsibility

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

Other Reporting Requirements

I have issued my Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and my Independent Accountant's Report on Compliance with Section 218.415, Florida Statutes, which is an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 30, 2021, 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) No prior year audit findings

b. Status of Prior Year Comments and Recommendations:

- 1) Comment 001 *Fiscal Year-End Schedule - Repeated in FY 2020 as Finding F2020-1 Timeliness of Year-End Accounting and Reporting Processes* and Comment 2020-01 *Accounting Oversight* (similar Comment in FY 2018 as Comment 001 and in FY 2017 as Comment 005).
- 2) Comment 002 *Grant Administration and Accounting - Repeated in FY 2020 as Comment 2020-02 Grant Administration and Accounting.*

Prior Audit Findings (Continued)

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

- 3) Comment 003 *Building Permits and Inspection Fees* - Repeated in FY 2020 as Comment 2020-03 *Building Permits and Inspection Fees* (similar Comment in FY 2018 as Comment 003).
- 4) Comment 004 *Purchasing Policy* - Repeated in FY 2020 as Comment 2020-04 *Purchasing Policy*.

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. I identified a deteriorating financial condition identified as Comment 2020-06 in the Schedule of Current Year Comments and Recommendations.

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 2020-01 through Comment 2020-05, and Finding F2020-1 in the Schedule of Audit Findings, 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 53. 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.



Titusville, Florida
June 30, 2021

**TOWN OF MELBOURNE VILLAGE, FLORIDA
SCHEDULE OF CURRENT YEAR COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Comment

2020-01 Accounting Oversight

Criteria: Routine general ledger account maintenance and reconciliations are essential to ensuring the Town's account balances are free of perpetual uncorrected errors and are ready for audit.

Condition: Several significant errors or conditions, and many less significant errors, in general ledger accounts were not corrected in a timely manner throughout the year.

Cause: The task of reviewing, investigating and correcting general ledger account errors was not performed routinely throughout the fiscal year. Bank account reconciliations were not properly reviewed by a supervisor and amended timely and staff needed additional training on the reconciliation process.

Effect: The checking account ledger balance was overstated by a substantial sum for many months due to a deposit error, an error in another account was permitted to grow to a substantial sum before being corrected, the Town has an amount owed it from a now former employee, and departments heads did not have accurate data by which to manage their budgets.

Recommendation: It is recommended that the Town review, investigate and fix errors throughout the year so they are corrected in a timely manner.

**TOWN OF MELBOURNE VILLAGE, FLORIDA
SCHEDULE OF CURRENT YEAR COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Comment

2020-02 Grant Administration and Accounting

Criteria: The location of relevant data related to authorized grant submissions applied for on behalf of the Town should allow Administrative personnel and management to know the status of each grant at any moment in time. Revenue from grants should be recognized when the grant amount is susceptible to accrual. Grants should be properly monitored until grant monies are received and the grant can be closed.

Condition: Through the assistance of a lobbyist and shortly before the COVID-19 pandemic lockdown, a large grant was applied for by the Town; however, funding was not followed up with in a timely manner, primarily due to the terms of the grant not being fully understood by those involved. Auditor also discovered there was insufficient information to determine what the receivable amount will be for the fiscal year under audit eight months after the 2019-2020 fiscal year ended. In addition, a grants log was created for FY2020 but it only included grants for the Police Department, so the large grant and a smaller grant applied for by a former Mayor were not being tracked at all in the log. The grants log also still showed the September 2019 grant referred to in the prior year's comment as uncollected with no indication of any follow-up and two grants showed open that were already closed.

Cause: The Town does not have a centralized method for collecting and storing data related to grants, nor does it have trained or knowledgeable personnel overseeing grant application processes. A lobbyist hired late in the 2018-2019 fiscal year was expected to guide the Town through the process of obtaining a large grant, yet if the nature and timing of the grant was conveyed to the Town, it seemingly was not in an understandable manner. Some grants applied for and logged by Administrative staff were not traced through to receipt of the funds. Amounts paid from the State of Florida for many of these grants do not indicate what a payment is for, especially if payment is through electronic funds transfers. The log should help in identifying such grant revenues received.

Effect: The Town has yet to receive the funds from the large grant, though it has long since paid out all monies related to it. The misunderstanding of the grant funding led to the inability of the Town to use the funds to the level it had intended and the delay in follow up put the potential for reallocation of those funds to other projects in jeopardy. Determining the receivable amount caused a delay in the completion of the financial statements in a timely manner as data had to be requested from the County eight months after the project was completed. Two grant receipts were recorded in an incorrect account and a COVID-19 grant that was applied for could not be easily located for purposes of recording the related receivable.

Recommendation: It is recommended that (1) grant records be located in a manner that allows all parties ready access to the information at all times; (2) grant amounts be recorded upon meeting eligibility requirements or soon thereafter and traced until the monies are received and the grant is formally closed; and (3) the Town consider training necessary for a fuller understanding of the grants process by those involved.

**TOWN OF MELBOURNE VILLAGE, FLORIDA
SCHEDULE OF CURRENT YEAR COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Comment

2020-03 Building Permits and Inspection Fees

Criteria: The Town's fee schedule varies in its application of construction costs. Window installation is charged a flat fee per window, while doors are charged a fee on a dollar cost of construction basis. The fee schedule also states that permit applicants will be charged the current rate the Building Official receives plus \$10 for each inspection. The Building Official estimates the number of inspections as part of the permit review process and actual inspections should be compared to estimated inspections prior to the closing out of the permit.

Condition: In the prior year's audit, two permits selected for testing showed a combination of doors and windows on the permit application in the estimated cost section, without providing a breakdown for doors separately from windows to facilitate an accurate permit fee calculation. Four of the permits selected for testing showed the permit holder was charged for a different number of inspections than the Town paid the Building Official to perform. The Town had not been collecting additional inspection fees or refunding excess inspection fees upon closure of the permit, unless the number of inspections were adjusted due to a change to the permit holder's original plans. The Town admits this situation continued throughout the current audit year but did temporarily separate permits involving door and windows into two permits until the matter is resolved. No document noting how many inspections were being charged by the Building Official on a given permit number was maintained or kept with each open permit file, or at least on permit files that required multiple inspections.

Cause: The Town is still in the process of reviewing its permit fee schedule but with the change in elected officials and Town staff, the review is not yet completed. Although the Town has procedures for closing out permits, it did not have reconciling the Building Official's invoices with the inspections performed included in those procedures.

Effect: Auditor could not determine if certain calculations were accurate. Several permit holders may not have paid for an accurate number of actual inspections.

Recommendation: It is recommended that the Town complete its review of the permit fee schedule and consider adding a reconciliation of actual inspections to estimated inspections for all or certain types of permits, along with the procedure for handling adjustments, if any, to the permit closing process.

**TOWN OF MELBOURNE VILLAGE, FLORIDA
SCHEDULE OF CURRENT YEAR COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**Comment
2020-04 Purchasing Policy**

Criteria: The Town's purchasing policy is intended to clearly describe the requirements of the procurement process. Purchases \$250 and under may be authorized by the department head or his/her designee. Purchases between \$250.01 and \$2,500 require a purchase order signed by the Mayor. Purchases over \$2,500 require Commission approval. Any purchase of an item, group of related items, or service, the cost of which exceeds \$250.00, requires at least one additional price comparison, with the exception of sole source items or services, which should be clearly noted on the purchase order or in the Commission minutes. Purchases over \$2,500 are to be reviewed by the Finance Committee unless the Commission expressly states it is bypassing the committee. Department heads who authorize subordinates to make purchases must put that authorization in writing.

Condition: The purchasing policy is still under review from the prior year comment regarding when purchase orders and quotes are required and the manner in which sole source justification may be used. In the current year, auditor discovered several instances of the Town being charged fees and interest on late paid bills, several expenditures over \$250 with no purchase order attached and several invoices under \$250 without any approval to pay the invoice or who authorized the expenditure to begin with. In addition, two large projects exceeded their Commission authorized limits with no evidence of follow up approval for the difference, and another project bypassed the Finance Committee's review but the Commission minutes did not mention the intention to bypass.

Cause: The purchasing policy should be more specific with regard to when a purchase order is required. Sole source purchases were not required by the policy to include the reason for sole source use. No written authorizations exist for each department. It is unclear why eight payments were late with only one of these during the lockdown period of the pandemic and why several purchases over \$250 were not issued purchase orders in advance.

Effect: Auditor was unable to determine definitively whether the policy was followed for several items selected for testing. With the sole source justification not being required by the policy, the Town is not mitigating potential abuses. Several expenditures bypassed proper oversight.

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

**TOWN OF MELBOURNE VILLAGE, FLORIDA
SCHEDULE OF CURRENT YEAR COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**Comment
2020-05 Policies and Operating Procedures**

Criteria: Operating procedures should be designed to assist current and new employees and management in ensuring important tasks are performed timely. Policies are designed to disseminate decisions made by the governing body.

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

Cause: No operating procedures were in place to assist the former and new Town Clerk/Treasurers in ensuring that such tasks were performed. Vacation accruals and balances were not maintained properly. The new credit card policy made no mention of requiring adherence to the purchasing policy.

Effect: Tasks such as report submissions and others can lead to significant financial repercussions if missed. The calculation of vacation balances for terminating employees may be incorrect. Benefits to an employee had to be ceased until the procedure was corrected. Some credit card purchases did not follow the purchasing policy.

Recommendation: It is recommended that (1) special operating procedures for non-daily and/or non-routine tasks be developed to aid in ensuring these types of tasks are managed properly or deadlines are not missed; and (2) the Town consider updating the credit card policy to address required compliance with the purchasing policy.

**TOWN OF MELBOURNE VILLAGE, FLORIDA
SCHEDULE OF CURRENT YEAR COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Comment

2020-06 Deteriorating Financial Condition

Criteria: Florida Statute (F.S.) 218.39(6) requires communications from auditors to those charged with governance regarding deteriorating financial conditions and a fund balance deficit for that portion of a fund balance not classified as restricted, committed or nonspendable.

Condition: The Town's combined assigned and unassigned fund balances decreased from \$334,797 at the end of FY2019 to a negative (\$13,801) at the end of FY2020, and the Town has several more large expenditures expected in FY2021.

Cause: The Town experienced a culvert failure under a bridge on a main road that cost over \$369,000 to repair, foundation issues with its Community House requiring repair in excess of \$27,000, and several other large expenditures in FY2020 in excess of \$35,000.

Effect: The Town's financial condition has deteriorated significantly although the Town is not in a financial emergency as described in 218.503(1) F.S. at this time due to stabilization fund (Investment Fund A). The Town may need to borrow additional funds from its Investment Fund A for normal operating needs.

Recommendation: It is recommended that the Town consider substantially curtailing spending for non-essential purchases until the Town's financial condition improves.



TOWN OF MELBOURNE VILLAGE

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Email: town@melbournevillage.org

June 30, 2021

The Honorable Mayor Niemann and Town Commission
Town of Melbourne Village
Melbourne Village, Florida

RE: Current Year Comments and Recommendations

Dear Mayor Niemann and Town Commission,

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

The following response is given to the report concerning the fiscal year 2019-2020.

Comment 2020-01: Accounting Oversight

Recommendation: It is recommended that the Town review, investigate and fix errors throughout the year so they are corrected in a timely manner.

Response: The Town hired an accounting consultant in the 2020-2021 fiscal year who will ensure errors in general ledger account balances will be corrected in a timely manner.

Comment 2020-02: Grant Administration and Accounting

Recommendation: It is recommended that (1) grant records be located in a manner that allows all parties ready access to the information at all times; (2) grant amounts be recorded upon meeting eligibility requirements or soon thereafter and traced until the monies are received and the grant is formally closed; and (3) the Town consider training necessary for a fuller understanding of the grants process by those involved.

Response: The Town will place a detailed grant binder in the front office which will include grant identifiers for each grant applied, invoices expected to be reimbursed, and a list of money applied for to be received. The Clerk's Office will also communicate with Public Works and Public Safety so the Town is aware of what grants are open and closed. The Town will also contact the various State and County entities to better understand the grant process.

Comment 2020-03: Building Permits and Inspection Fees

Recommendation: It is recommended that the Town complete its review of the permit fee schedule and consider adding a reconciliation of actual inspections to estimated inspections for all or certain types of permits, along with the procedure for handling adjustments, if any, to the permit closing process.

Response: The Town is in the process of reviewing the current fees as permitted under Florida Law and has recently begun reconciling estimated inspection fees with actual inspections, but is still considering procedures on how to handle differences.

Comment 2020-04: Purchasing Policy

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

Response: The Town is looking into revising its purchasing policy, including powers granted during exigent circumstances, as well as addressing the above concerns. The Town is also more sensitive to attempts to circumvent the current policy in the past and will ensure adherence to the spending limits.

Comment 2020-05: Policies and Operating Procedures

Recommendation: It is recommended that (1) special operating procedures for non-daily and/or non-routine tasks be developed to aid in ensuring these types of tasks are managed properly or deadlines are not missed; and (2) the Town consider updating the credit card policy to address required compliance with the purchasing policy.

Response: The Town is currently addressing operating procedures by disseminating "how to" information to other employees and will be working with the accounting consultant to develop quarterly assurance. The Town will seek assistance from the Finance Committee on updating the credit card policy.

Comment 2020-06: Deteriorating Financial Condition

Recommendation: It is recommended that the Town consider substantially curtailing spending for non-essential purchases until the Town's financial condition improves.

Response: The Town experienced several large expenditures in fiscal year 2019-2020 and will look into various ways to cut cost and raise money at the same time. This includes investigating insurance rates, updating a fee schedule for facility rentals, and addressing current investments.

Very sincerely yours,



Jimmy Collen
Town Clerk/Treasurer

cc: Linda Crawford, CPA, CFE
Auditor General

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**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, 2020, 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, 2020.

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.



Titusville, Florida
June 30, 2021