



**Town of Melbourne Beach  
Financial Statements  
Year Ended September 30, 2009**

# TOWN OF MELBOURNE BEACH, FLORIDA

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Financial Statements

Year Ended September 30, 2009

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# **TOWN OF MELBOURNE BEACH, FLORIDA**

Town Commission Members and Officials

Year Ended September 30, 2009

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Rita A. Karpie  
*Mayor*

April Evans  
*Vice Mayor*

Donnie Price  
Paul Guglietta  
Charles Tennant  
*Commission Members*

James Bursick  
*Town Manager*

Jane Antonsen  
*Town Accountant*

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Hoyman Dobson

## Independent Auditors' Report

The Honorable Mayor and Town Commission  
of the Town of Melbourne Beach, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Melbourne Beach, Florida, as of and for the year ended September 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Melbourne Beach, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Melbourne Beach, Florida, as of September 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2010, on our consideration of the Town of Melbourne Beach, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis (pages 7 through 13), historical pension information (pages 41 through 43) and budgetary comparison information (pages 45 through 46) are not a required part of the basic

### *Certified Public Accountants*

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financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Melbourne Beach, Florida's basic financial statements. The combining schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.



**Hoyman Dobson**  
Melbourne, Florida  
January 11, 2010

## Management's Discussion and Analysis

As management of the Town of Melbourne Beach (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2009.

### Financial Highlights

- The assets of the Town of Melbourne Beach exceeded its liabilities at the close of the most recent fiscal year by \$4,386,719 (net assets). Of this amount, \$1,465,806 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The total net assets increased \$73,553, an increase of 2% from the previous year.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$4,982,155, an increase of \$3,692,575 in comparison with the prior year. \$3,463,142 of this increase was attributable to the net proceeds from new debt issuance. \$1,228,531 of the governmental funds balance is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,228,531, or 66% of total general fund expenditures.
- The Town's total long term liabilities increased by \$3,372,578 during the current fiscal year. This reflects the issuance of voted debt to finance the refurbishment of the Town's stormwater system and repaving of affected streets.

### Overview of the Financial Statements

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

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

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

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

The governmental activities of the Town include general government, public safety, physical environment, and recreation.

The government-wide financial statements can be found on pages 16-17 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local

governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds, and fiduciary funds.

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

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

The Town maintains eight individual governmental funds, the General Fund, Capital Projects Fund, Debt Service Fund and five nonmajor funds. The nonmajor funds are the Police Education, Old Town Hall, Stormwater Utility, Law Enforcement Forfeiture, and Law Enforcement Donations. 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 General Fund, Capital Projects Fund and Debt Service Fund each of which is considered to be a major fund. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the general fund and each major special revenue fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18-19 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 21-22 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-38 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 41-43 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 48-51 of this report.

## **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$4,386,719 at the close of the most recent fiscal year.

By far the largest portion of the Town's net assets (65 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure, and improvements), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	<u>Governmental activities</u>	
	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 5,200,552	\$ 1,656,984
Capital assets	5,284,708	5,484,472
Total assets	<u>10,485,260</u>	<u>7,141,456</u>
Current liabilities	92,239	194,566
Noncurrent liabilities	6,006,302	2,633,724
Total liabilities	<u>6,098,541</u>	<u>2,828,290</u>
Net assets:		
Invested in capital assets		
net of related debt	2,871,836	2,927,234
Restricted	49,077	(6,833)
Unrestricted	1,465,806	1,392,765
Total net assets	<u>\$ 4,386,719</u>	<u>\$ 4,313,166</u>

A minor portion of the Town's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$1,465,806, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in net assets, for the government as a whole. The same situation held true for the prior fiscal year.

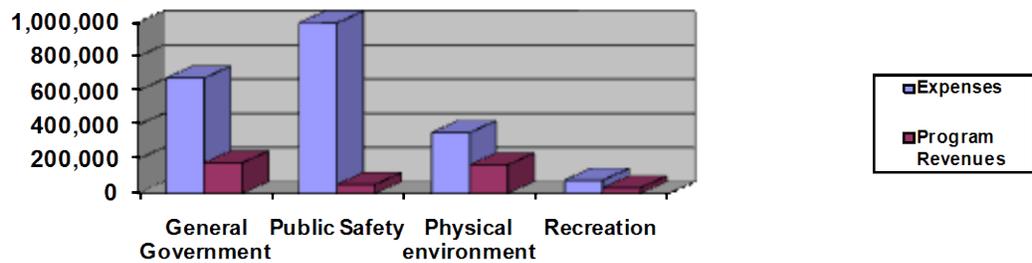
### Town's Changes in Net Assets

	<u>Governmental activities</u>	
	<u>2009</u>	<u>2008</u>
Revenues:		
Program revenues:		
Charges for services	\$ 157,027	\$ 120,540
Operating grants and contributions	170,420	212,167
Capital grants and contributions	103,269	44,105
General revenues:		
Property taxes	965,877	1,000,995
Other taxes	671,273	560,926
Shared revenues	224,930	248,014
Unrestricted investment earnings	137	20,497
Other	16,268	10,475
Gain on sale of capital asset	600	-
Total revenues	<u>2,309,801</u>	<u>2,217,719</u>
Expenses:		
General government	675,028	707,544
Public safety	997,112	963,772
Physical environment	356,181	387,025
Recreation	77,100	45,479
Interest on long-term debt	130,827	165,682
Total expenses	<u>2,236,248</u>	<u>2,269,502</u>
Increase/(decrease) in net assets	73,553	(51,783)
Net assets - beginning of year	4,313,166	4,364,949
Net Assets - end of year	<u>\$ 4,386,719</u>	<u>\$ 4,313,166</u>

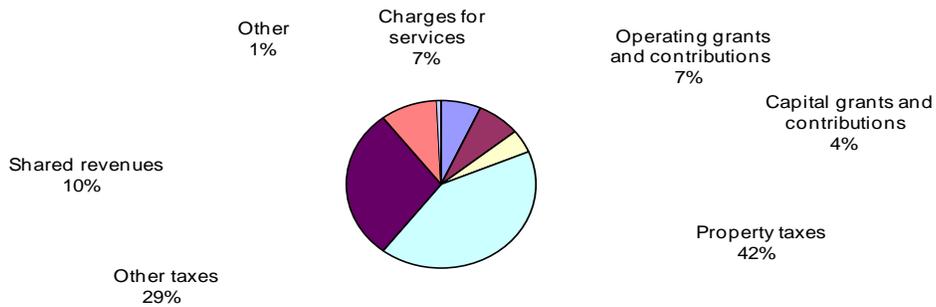
**Governmental activities.** Governmental activities increased the Town’s net assets by \$73,553. This amount is primarily attributable to increases in charges for services and grant receipts and a reduction in expenditures. Governmental activities decreased the Town’s assets by \$51,783 in the prior year. Key elements of the difference between the two years change in assets, \$125,336, are as follows:

- The Town’s total revenues related to governmental activities increased by approximately \$92,000 from the prior year. Significant factors that contribute to the increase in revenues are a \$36,000 net increase in charges for services and an increase of approximately \$59,000 in capital grant contributions mainly from FEMA recoveries.
- Expenditures related to governmental activities decreased by approximately \$33,000 from the prior year. This decrease is primarily related to a decrease of approximately \$35,000 in interest payments on long-term debt.

**Expenses and Program Revenues - Governmental Activities**



**Revenues by Source - Governmental Activities**



**Financial Analysis of the Government's Funds**

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

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

As of the end of the current fiscal year, the Town’s governmental funds reported combined ending fund balances of \$4,982,155, an increase of \$3,692,575 in comparison with the prior year. Approximately 94 percent of this total

amount, \$3,463,142, will be used for the stormwater project and the repaving of affected streets. Of the remaining amount, \$1,403,829 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) \$11,326 for debt service, 2) \$66,107 for prepaid items and 3) \$37,751 for a capital project.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,228,531, while total fund balance was \$1,294,638. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 66 percent of total general fund expenditures, while total fund balance represents 70 percent of that same amount. The fund balance of the General Fund increased by \$30,376 during the fiscal year, a direct result of a decrease in deferred revenue.

The Capital Projects Fund has a fund balance of \$37,751. The net increase in fund balance during the current year in the capital projects fund was \$53,319. The increase was related to a transfer from the General Fund to cover a previous deficit attributable to the Oak Street Pedway project.

The Debt Service Fund has a balance of \$3,474,468. The increase in fund balance during the current year in the Debt Service fund was \$3,465,733. The increase was mainly due to a \$3.5 million debt issuance.

Nonmajor Funds has a balance of \$175,298. The net increase in the funds of \$143,147 is attributable to the receipt of funds from FEMA for damage done by Tropical Storm Fay in August 2008 and a transfer from the General Fund.

### **General Fund Budgetary Highlights**

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

### **Capital Asset and Long-term Liabilities Administration**

**Capital assets.** The Town's investment in capital assets for its governmental funds as of September 30, 2009, amounts to \$5,284,708 (net of accumulated depreciation). This represents a net decrease of \$230,610 or a 4.2 percent decrease from the previous year. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress.

The major additions in the governmental activities are reflected as an increase in equipment. The increase in equipment represents \$18,827 for the acquisition of new computer equipment and the donation of \$18,175 for a Fire Department boat. Major construction in progress projects include \$33,031 for the stormwater improvements project and the repaving of affected streets. These additions were offset by depreciation expense of \$269,797.

#### **Town's Capital Assets (net of depreciation)**

	<u>2009</u>	<u>2008</u>
Land	\$ 897,742	\$ 897,742
Buildings	1,982,398	2,047,485
Improvements other than building	715,478	770,463
Equipment	862,390	946,100
Infrastructure	714,296	743,309
Construction in progress	112,404	79,373
Total	<u>\$ 5,284,708</u>	<u>\$ 5,484,472</u>

Additional information on the Town's capital assets can be found in Note 3-C on page 31 of this report.

**Long-term Liabilities.** At the end of the current fiscal year, the Town had total bonded debt principal outstanding of \$5,369,540. Of the bonded debt, \$3,724,540 is secured by a separate ad valorem millage. The remainder of the bonded debt, \$1,645,000 is secured by specified revenue sources (i.e., revenue bonds).

**Town's Outstanding Debt**

	2009	2008
Advalorem bonds payable	\$ 224,540	\$ 262,675
Revenue bonds payable	1,645,000	1,690,000
Bond premium	47,703	51,375
Deferred loss	(99,844)	(107,576)
Note payable	3,500,000	-
Capital leases	595,473	660,764
Compensated absences	93,430	76,486
Total	<u>\$ 6,006,302</u>	<u>\$ 2,633,724</u>

The Town's long-term liabilities increased by \$3,372,578 during the current fiscal year. This increase was attributable to the issuance of \$3.5 million of voted debt, and was offset by annual principal payments.

Additional information on the Town's long-term debt can be found in Note 3-F on pages 33-34 of this report.

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

**Amendment 1**

On January 29, 2008, the Florida electorate approved an amendment to the Florida Constitution relative to property taxation. This amendment (referred to as Amendment 1) was placed on the ballot by the Florida Legislature at a special session held in October, 2007. With respect to homestead property, Amendment 1 increases the current \$25,000 homestead exemption by another \$25,000 (for property values between \$50,000 - \$75,000), except for school district taxes. Since the new \$25,000 homestead exemption does not apply to school district taxes, this effectively amounts to a \$15,000 increase in the existing homestead exemption, resulting in an estimated annual savings of \$240 for an average homeowner. Amendment 1 also allows property owners to transfer (make portable) up to \$500,000 of their Save Our Homes benefits to their next homestead when they move. Save Our Homes became effective in 1995 and limits (caps) the annual increase in assessed value for homestead property to three percent (3%) or the percentage change in the Consumer Price Index, whichever is less.

With respect to non-homestead property, Amendment 1 limits (caps) the annual increase in assessed value for non-homestead property (business, industrial property, rental property, second homes, etc.) to ten percent (10%), except for school district taxes. The Amendment also provides a \$25,000 exemption for tangible personal property.

Amendment 1 became effective October 1, 2008, with the exception of the ten percent (10%) assessment cap on non-homestead property which became effective on January 1, 2009.

At present, there is no accurate way to determine the impact of Amendment 1 in terms of potential loss of property tax revenues.

The Town Commission approved a millage rate of 3.0673 for Fiscal Year 2010. The millage rate for Fiscal Year 2009 was 2.7862. The taxable value of real property decreased by 7 percent for Fiscal Year 2010 and is expected to decrease further in Fiscal Year 2011.

### **Other Factors**

The Town is close to build out as far as vacant home sites are concerned; however, we are seeing a trend towards major remodeling and rebuilding on existing home sites. We anticipate that the Town will continue to see two to three major single family home building permits per year.

The cost of providing employee benefits is increasing. Recent history shows anticipated increases in medical insurance benefits of 15-16 percent. Increases in funding the Police Pension Plan are expected to run approximately 30 percent. Increases in premium payments to the Florida Retirement System are unknown.

### **Requests for Information**

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

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# **TOWN OF MELBOURNE BEACH, FLORIDA**

## Basic Financial Statements

# TOWN OF MELBOURNE BEACH, FLORIDA

## Statement of Net Assets - Governmental Activities

September 30, 2009

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### ASSETS

Cash and cash equivalents	\$ 4,847,585
Investments	2,147
Receivables	208,693
Due from other governments	47,385
Prepaid items	66,107
Capital assets (net of accumulated depreciation):	
Land	897,742
Buildings	1,982,398
Improvements other than buildings	715,478
Machinery and equipment	862,390
Infrastructure	714,296
Construction in progress	112,404
Net bond issuance costs	28,635
Total assets	<u>10,485,260</u>

### LIABILITIES

Accounts payable	30,089
Accrued payroll and related liabilities	16,430
Accrued interest payable	36,768
Unearned revenue	8,952
Noncurrent liabilities:	
Due within one year:	
Revenue bonds payable	90,232
Capital leases	68,538
Note payable	106,000
Compensated absences	46,715
Due in more than one year:	
Revenue bonds payable	1,727,167
Capital leases	526,935
Note payable	3,394,000
Compensated absences	46,715
Total liabilities	<u>6,098,541</u>

### NET ASSETS

Invested in capital assets, net of related debt	2,871,836
Restricted for:	
Debt service	11,326
Community development projects	37,751
Unrestricted	1,465,806
Total net assets	<u>\$ 4,386,719</u>

# TOWN OF MELBOURNE BEACH, FLORIDA

## Statement of Activities - Governmental Activities

Year Ended September 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government					
Governmental activities:					
General government	\$ 675,028	\$ 104,102	\$ 74,901	\$ -	\$ (496,025)
Public safety	997,112	24,465	9,391	18,175	(945,081)
Recreation	77,100	25,697	7,069	-	(44,334)
Physical environment	356,181	2,763	79,059	85,094	(189,265)
Interest on long-term debt	130,827	-	-	-	(130,827)
Total governmental activities	<u>\$ 2,236,248</u>	<u>\$ 157,027</u>	<u>\$ 170,420</u>	<u>\$ 103,269</u>	<u>(1,805,532)</u>
General revenues:					
Property taxes					965,877
Public utility taxes					439,488
Franchise taxes					231,785
Shared revenues not restricted to specific programs					224,930
Unrestricted investment earnings					137
Miscellaneous					16,268
Gain on sale of capital asset					600
Total general revenues					<u>1,879,085</u>
Change in net assets					73,553
Net assets, beginning					<u>4,313,166</u>
Net assets, ending					<u>\$ 4,386,719</u>

# TOWN OF MELBOURNE BEACH, FLORIDA

## Balance Sheet - Governmental Funds

September 30, 2009

	General	Capital Projects	Debt Service	Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 833,954	\$375,625	\$3,474,488	\$163,518	\$ 4,847,585
Investments	2,147	-	-	-	2,147
Accounts receivable, net	208,693	-	-	-	208,693
Due from other funds	337,815	-	-	-	337,815
Due from other governments	28,635	-	-	18,750	47,385
Prepaid items	66,107	-	-	-	66,107
Total assets	<u>\$1,477,351</u>	<u>\$375,625</u>	<u>\$3,474,488</u>	<u>\$182,268</u>	<u>\$ 5,509,732</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 23,040	\$ 59	\$ 20	\$ 6,970	\$ 30,089
Accrued payroll and related liabilities	16,430	-	-	-	16,430
Due to other funds	-	337,815	-	-	337,815
Unearned revenue	8,952	-	-	-	8,952
Deferred revenue	134,291	-	-	-	134,291
Total liabilities	<u>182,713</u>	<u>337,874</u>	<u>20</u>	<u>6,970</u>	<u>527,577</u>
<b>Fund balance</b>					
Restricted for:					
Debt service	-	-	11,326	-	\$ 11,326
Community development projects	-	37,751	-	-	37,751
Prepaid items	66,107	-	-	-	66,107
Unreserved, reported in:					
General fund	1,228,531	-	-	-	1,228,531
Debt service	-	-	3,463,142	-	3,463,142
Special revenue funds	-	-	-	175,298	175,298
Total fund balances	<u>1,294,638</u>	<u>37,751</u>	<u>3,474,468</u>	<u>175,298</u>	<u>4,982,155</u>
Total liabilities and fund balances	<u>\$1,477,351</u>	<u>\$375,625</u>	<u>\$3,474,488</u>	<u>\$182,268</u>	

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

5,284,708

Deferred revenue (related to reimbursement for lease) recorded in the funds has been reversed and recorded as revenue in governmental activities.

134,291

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

(6,014,435)

\$ 4,386,719

# TOWN OF MELBOURNE BEACH, FLORIDA

## Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

Year Ended September 30, 2009

	General	Capital Projects	Debt Service	Nonmajor Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 1,412,774	\$ -	\$ 55,062	\$ 53,730	\$ 1,521,566
Licenses and permits	335,847	-	-	-	335,847
Intergovernmental	274,849	-	-	109,178	384,027
Charges for services	15,836	-	-	-	15,836
Fines and forfeitures	21,553	-	-	2,687	24,240
Interest	137	-	-	-	137
Miscellaneous	45,701	7,331	-	2,595	55,627
Total revenues	<u>2,106,697</u>	<u>7,331</u>	<u>55,062</u>	<u>168,190</u>	<u>2,337,280</u>
<b>Expenditures</b>					
Current:					
General government	586,866	-	-	-	586,866
Public safety	873,398	-	-	16,394	889,792
Recreation	11,511	3,175	-	2,192	16,878
Physical environment	269,766	9,822	-	6,487	286,075
Capital outlay	16,888	-	-	34,970	51,858
Debt service:					
Cost of issuance	-	-	36,858	-	36,858
Principal	65,291	-	83,135	-	148,426
Interest	33,216	-	95,336	-	128,552
Total expenditures	<u>1,856,936</u>	<u>12,997</u>	<u>215,329</u>	<u>60,043</u>	<u>2,145,305</u>
Excess (deficiency) of revenues over (under) expenditures	<u>249,761</u>	<u>(5,666)</u>	<u>(160,267)</u>	<u>108,147</u>	<u>191,975</u>
<b>Other financing sources (uses)</b>					
<b>Restricted for:</b>					
Transfers in	-	58,985	126,000	35,000	219,985
Transfers out	(219,985)	-	-	-	(219,985)
Proceeds from sale of capital assets	600	-	-	-	600
Debt issuance proceeds	-	-	3,500,000	-	3,500,000
Net other financing sources (uses)	<u>(219,385)</u>	<u>58,985</u>	<u>3,626,000</u>	<u>35,000</u>	<u>3,500,600</u>
Net change in fund balances	30,376	53,319	3,465,733	143,147	3,692,575
Fund balances (deficit), beginning	1,264,262	(15,568)	8,735	32,151	1,289,580
Fund balances, ending	<u>\$1,294,638</u>	<u>\$37,751</u>	<u>\$3,474,468</u>	<u>\$175,298</u>	<u>\$ 4,982,155</u>

# TOWN OF MELBOURNE BEACH, FLORIDA

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended September 30, 2009

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Net change in fund balances - total governmental funds	\$ 3,692,575
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 as depreciation expense. This is the amount by which depreciation expense exceed capital outlays in the current period.	(199,764)
Some revenues, the reimbursement from the State for hurricane costs, are recorded in the statement of activities in the prior year, but since they do not provide current financial resources are not reported as revenues in the funds. This is the amount of revenues recorded in the funds in the current year, that was recorded in the statement of activities in the prior year.	(38,410)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This is the net effect of these differences in the treatment of long-term debt and related items.	(3,351,574)
Some revenues, the reimbursement from the Melbourne Beach Volunteer Fire Department for a fire truck, are recorded in the statement of activities, but since they do not provide current financial resources are not reported as revenues in the funds. This is the amount of revenues recorded in the funds in the current year, that was recorded in the statement of activities in the prior year.	(7,844)
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.	(4,486)
Compensated absences are reported in the statement of activities when earned, as they do not require the use of financial resources. They are not reported as expenditures in governmental funds until they have matured. This is the amount of compensated absences reported in the statement of activities in the prior year, that have matured in the current year.	<u>(16,944)</u>
Change in net assets of governmental activities	<u><u>\$ 73,553</u></u>

# TOWN OF MELBOURNE BEACH, FLORIDA

## Statement of Fiduciary Net Assets - Pension Trust Funds

September 30, 2009

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### ASSETS

Cash and cash equivalents	\$ 64,577
Investments at fair value:	
Equity investments	1,079,364
Mutual funds	583,556
Accounts receivable	3,666
Total assets	<u>1,731,163</u>

### LIABILITIES

-

### NET ASSETS

Held in trust for pension benefits	<u><u>\$ 1,731,163</u></u>
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# TOWN OF MELBOURNE BEACH, FLORIDA

## Statement of Changes in Fiduciary Net Assets - Pension Trust Funds

Year Ended September 30, 2009

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### ADDITIONS

Contributions:

Town	\$	102,427
Employee		18,347
State		36,379
Total contributions		<u>157,153</u>

Investment income (loss):

Net depreciation in the fair value of investments		(58,041)
Interest and dividends		32,268
Net investment income (loss)		<u>(25,773)</u>

**Total additions**

131,380

### DEDUCTIONS

Benefit payments		254,932
Refunded contributions		17,675
Administrative expenses		57,639
Total deductions		<u>330,246</u>

**Change in net assets**

(198,866)

**Net assets held in trust for pension benefits, beginning of year**

1,930,029

**Net assets held in trust for pension benefits, end of year**

\$ 1,731,163

# TOWN OF MELBOURNE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2009

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Reporting entity

The Town of Melbourne Beach, Florida (the Town) was incorporated by Chapter 9833, Laws of Florida, Acts of 1923. The Town operates under a Commission-Manager form of government and provides the following services: public safety, physical environment, recreation and general administrative services.

As required by accounting principles generally accepted in the United States of America, these financial statements present the government and would also include any component units for which the government is considered to be financially accountable. No potential component units were found for which the above criteria required consideration in defining the government's reporting entity.

### B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Town does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

### C. Measurement focus, basis of accounting, and financial statement presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

# TOWN OF MELBOURNE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2009

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects fund* accounts for the acquisition of capital assets or construction of major capital projects.

The *debt service fund* accounts for the acquisition of debt instruments.

Additionally, the Town reports the following fund type:

The *pension trust funds* account for assets, liabilities, revenues and expenses of the pension plans of the Town's police employees, and a single-employer defined contribution pension plan that covers the Town Manager. The activities of these funds are subject to state mandatory regulations, local ordinances and the policies of the governing boards.

The Town's nonmajor governmental funds are special revenue funds. They account for contraband forfeitures, law enforcement donations, law enforcement training, maintenance of town hall, and stormwater utility taxes.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Expenses for compensated absences are allocated based on a percentage of total salaries and wages for the year for the various functions.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

# TOWN OF MELBOURNE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2009

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### D. Assets, liabilities, and net assets or equity

#### 1. Cash and investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition. The Town invests certain surplus funds in an external investment pool, the Local Government Surplus Funds Trust Fund (the "State Pool"). The State Pool is administered by the Florida State Board of Administration ("SBA"), who provides regulatory oversight. On September 30, 2008, the SBA reported that the State Pool was exposed to potential risks due to indirect exposure in the sub-prime mortgage financial market. Consequently, the SBA placed some restriction on how participants could access portions of their surplus funds and ultimately restructured the State Pool into two separate pools ("LPIG" and "Fund B"). During the year ended September 30, 2009, the SBA renamed LPIG to Florida PRIME. Fund B is reported at fair value, determined by the fair value per share of the pool's underlying portfolio.

The Town is authorized by Florida Statute to invest surplus funds as follows:

- a) U.S. Government securities and agencies of the U.S. Government;
- b) SBA Investment Pool;
- c) Certificates of deposit with financial institutions which are qualified as public depositories.
- d) Passbook savings accounts, demand deposits and money market accounts which are insured up to \$250,000 by F.D.I.C.; and
- e) Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated investments.

The Police Pension Fund is invested in accordance with Florida Statute Section 185.06. The Defined Contribution Trust Fund does not have any investment restrictions.

Investments for the Town are stated at fair value. The Local Government Surplus Funds Trust Fund operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. All of the deposits and interest are allocated to the General Fund.

#### 2. Receivables and payables

Outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the pension trust funds are reported in the government-wide financial statement as "internal balances."

All account and tax receivables are considered to be fully collectible.

# TOWN OF MELBOURNE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2009

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### D. Assets, liabilities, and net assets or equity (continued)

#### 2. Receivables and payables (continued)

The Town is permitted to levy property taxes up to 10 mils on real property and business personal property located within its boundaries. Property taxes are levied by the Town on property values assessed by the Brevard County Property Appraiser and approved by the Florida Department of Revenue. The Town's levy on taxes per \$1,000 of assessed value was \$2.7862 for 2009. Taxes based on the January 1 assessment value are due in November with discounts of one percent (1%) per month if paid before March, and become delinquent on April 1 with a penalty of three percent (3%) for real estate and one and one-half percent (1.5%) for business personal property. There is a public auction on the Brevard County Courthouse steps on or about June 1 to sell the tax certificates for unpaid property taxes. Brevard County acts as an agent for the Town in the collection of these taxes.

#### 3. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### 4. Capital assets

Capital assets, which include property, plant and equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment is depreciated using the straight line method over the following estimated useful lives:

Buildings	25-40 years
Building improvements	7-30 years
Infrastructure	20-50 years
Vehicles	5-15 years
Equipment	3-18 years
Leased property	3-12 years

# TOWN OF MELBOURNE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2009

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### D. Assets, liabilities, and net assets or equity (continued)

#### 5. Compensated absences

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

#### 6. Unearned revenues

Unearned revenues include amounts collected before the revenue recognition criteria are met. The unearned items consist primarily of license and permit revenues collected in advance.

#### 7. Deferred revenues

Deferred revenues include receivables which, under the modified accrual basis of accounting, are measurable but not yet available to finance expenditures of the current fiscal period.

#### 8. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium and discount. Bond issuance costs are amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### 9. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

# TOWN OF MELBOURNE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2009

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## NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$(6,014,435) difference are as follows:

Bonds payable	\$ (1,869,540)
Less: deferred issuance costs (to be amortized over life of debt)	28,635
Plus: issuance premium (to be amortized over life of debt)	(47,703)
Less: deferred refunding loss (to be amortized over life of debt)	99,844
Note payable	(3,500,000)
Accrued interest payable	(36,768)
Capital lease	(595,473)
Compensated absences	(93,430)
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ (6,014,435)</u>

### B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "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 details of this \$(199,764) difference are as follows:

Capital outlay	\$ 51,858
Donated asset	18,175
Depreciation expense	<u>(269,797)</u>
Net adjustment to decrease <i>net changes in fund balances - total</i> <i>governmental funds</i> to arrive at changes in <i>net assets of governmental</i> <i>activities</i>	<u>\$ (199,764)</u>

# TOWN OF MELBOURNE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2009

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## NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

### B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (continued)

Another element of the reconciliation states that “the issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets”. The details of this \$(3,351,574) difference are as follows:

Debt issued:	
Note payable	\$ (3,500,000)
Principal repayments:	
Capital leases	65,291
Revenue bonds	45,000
Ad valorem bonds	<u>38,135</u>
Net adjustment to decrease net <i>changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (3,351,574)</u>

Another element of the reconciliation states that “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”. The details of this \$(4,486) difference are as follows:

Amortization of bond premium	\$ 3,672
Amortization of debt issuance costs	(2,211)
Amortization of deferred refunding loss	(7,732)
Interest expense	<u>1,785</u>
Net adjustment to decrease net <i>changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (4,486)</u>

## NOTE 3 – DETAILED NOTES ON ALL FUNDS

### A. Deposits and investments

At September 30, 2009, the Town’s carrying amount of cash deposits was \$4,434,041 and the bank balance was \$4,455,324. In addition, the Town reported petty cash of \$350. As of September 30, 2009, \$250,000 of the Town’s bank balances are covered by federal depository insurance (FDIC). Effective October 3, 2008, the federal government temporarily increased the FDIC deposit insurance from \$100,000 to \$250,000 per depositor through December 31, 2013, at which time it will revert back to \$100,000. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Depositories Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the Town pursuant to Section 280.08, Florida Statutes. The Town participates in the State Board of Administration (SBA), and deposits secured by government securities as required by Florida Statutes.

# TOWN OF MELBOURNE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2009

## NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

### A. Deposits and investments (continued)

#### Credit risk

The Town does not have an adopted investment policy, and the pension plans' policies do not address credit risk.

#### Interest rate risk

The Town does not have an investment policy that addresses interest rate risk.

#### Concentration of credit risk

The Town's Police Pension Funds does not allow for an investment in any one issuer that is in excess of five percent of the respective funds' total investments, except for securities issued by the U.S. government or its agencies, which may be held without limitation, and no more than 70% of the portfolio may be invested in stocks. The Town does not have an investment policy that addresses concentration of credit risk. The defined contribution plan does not address credit risk.

At September 30, 2009, the Town had the following investments:

Investment type	Fair Value	Investment Maturities (in years)				Rating	Agency
		Less than 1	1 - 5	6 - 10	More than 10		
Primary government:							
SBA: Florida Prime	\$ 413,194	\$ 413,194	\$ -	\$ -	\$ -	AAA	S&P
SBA: Fund B	2,147	-	-	2,147	-	Not rated	-
	<u>\$ 415,341</u>	<u>\$ 413,194</u>	<u>\$ -</u>	<u>\$ 2,147</u>	<u>\$ -</u>		
Pension trust funds:							
Money market fund	\$ 64,577	\$ 64,577	\$ -	\$ -	\$ -	Not rated	-
Corporate stock	1,079,364	1,079,364	-	-	-		
Bond mutual funds	549,782	549,782	-	-	-	Not rated	-
Stock mutual funds	29,518	29,518	-	-	-		
Balanced mutual fund	4,256	4,256	-	-	-		
	<u>\$ 1,727,497</u>	<u>\$ 1,727,497</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		

### B. Receivables

Receivables as of year end for the government's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, are as follows:

	General Fund
Accounts	\$ 184,742
Tax	23,951
Total receivables	<u>\$ 208,693</u>

# TOWN OF MELBOURNE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2009

## NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

### C. Capital assets

Capital asset activity for the year ended September 30, 2009 was as follows:

	Beginning Balance	Additions/ Transfers	Deletions/ Transfers	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 897,742	\$ -	\$ -	\$ 897,742
Construction in progress	79,373	33,031	-	112,404
Total capital assets, not being depreciated	<u>977,115</u>	<u>33,031</u>	<u>-</u>	<u>1,010,146</u>
Capital assets, being depreciated:				
Buildings	2,369,103	-	-	2,369,103
Improvements other than buildings	1,131,137	-	-	1,131,137
Equipment	1,614,835	37,002	11,224	1,640,613
Infrastructure	1,195,181	-	-	1,195,181
Total capital assets being depreciated	<u>6,310,256</u>	<u>37,002</u>	<u>11,224</u>	<u>6,336,034</u>
Less accumulated depreciation for:				
Buildings	(321,618)	(65,087)	-	(386,705)
Improvements other than buildings	(360,674)	(54,985)	-	(415,659)
Equipment	(668,735)	(120,712)	(11,224)	(778,223)
Infrastructure	(451,872)	(29,013)	-	(480,885)
Total accumulated depreciation	<u>(1,802,899)</u>	<u>(269,797)</u>	<u>(11,224)</u>	<u>(2,061,472)</u>
Total capital assets being depreciated, net	<u>4,507,357</u>	<u>(232,795)</u>	<u>-</u>	<u>4,274,562</u>
Governmental activities capital assets, net	<u>\$ 5,484,472</u>	<u>\$ (199,764)</u>	<u>\$ -</u>	<u>\$ 5,284,708</u>

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

Governmental activities:	
General government	\$ 69,007
Public safety	107,320
Cultural and recreational	60,222
Physical environment	33,248
Total depreciation expense – governmental activities	<u>\$ 269,797</u>

# TOWN OF MELBOURNE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2009

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## NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

### D. Interfund receivables, payable and transfers

The composition of interfund balances as of September 30, 2009, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital Projects Fund	<u>\$ 337,815</u>

All interfund receivables and payables within the primary government represent cash transfers for operating and capital purposes.

Interfund transfers:

<u>Transfers in:</u>	<u>Transfers out:</u>	<u>Amount</u>
Nonmajor – Governmental Funds	General	\$ 35,000
Capital Projects Fund		58,985
Debt Service Fund		126,000
Total		<u>\$ 219,985</u>

Significant transfers included \$58,985 from the General fund to the Capital Projects fund for construction of certain capital assets, \$126,000 from the General fund to the Debt Service fund for debt service requirements, and \$35,000 from the General fund to the Stormwater fund for operating expenses.

### E. Capital lease

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

Asset:		
Equipment		\$ 882,783
Less: Accumulated depreciation		(218,645)
Total		<u>\$ 664,138</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2009, were as follows:

Year Ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 68,538	\$ 29,969	\$ 98,507
2011	56,868	26,820	83,688
2012	54,480	24,269	78,749
2013	57,111	21,638	78,749
2014	59,872	18,877	78,749
2015-2019	180,737	61,569	242,306
2020-2022	117,867	12,033	129,900
Total minimum lease payments	<u>\$ 595,473</u>	<u>\$ 195,175</u>	<u>\$ 790,648</u>

# TOWN OF MELBOURNE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2009

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## NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

### F. Long-term debt

#### Ad Valorem Tax Bond

On September 24, 1999 the Town issued Limited Ad Valorem Tax Bond, Series 1999 in the amount of \$525,000 for the purpose of purchasing a 50% interest in real property located in the Town. This property is to be used by the County for the purposes of constructing and operating a new library, pursuant to an Interlocal Operating Agreement dated March 23, 1999 with the Town for the Melbourne Beach Public Library.

Payment of the principal and interest on the Bond is secured by a pledge of real property ad valorem tax revenues assessed at an annual millage rate not to exceed .5 mills on all property within the Town. Principal is payable annually on May 1. Interest is payable on May 1 and November 1 of each year commencing on May 1, 2000, with a final payment on May 1, 2014. The interest rate is 5.5%. The outstanding principal as of September 30, 2009 is \$224,540.

#### Revenue Bonds

On November 1, 1999 the Town issued Florida Municipal Loan Council Revenue Bonds, Series 1999B in the amount of \$1,850,000 for the purpose of constructing and renovating a municipal complex. The bonds are to be repaid with non-advalorem revenues of the Town. The bonds were issued for a period of 30 years with interest rates ranging from 3.85% to 5.75%. On May 1, 2005, the Town partially defeased the bonds using the Revenue Refunding Bonds described below. After the defeasance, the remaining principal is payable annually on November 1. Interest is payable on May 1 and November 1 of each year, with a final payment on November 1, 2010. The outstanding principal balance as of September 30, 2009 is \$40,000.

On May 1, 2005 the Town issued Florida Municipal Loan Council Revenue Refunding Bonds, Series 2005B in the amount of \$1,620,000 to partially defease the Florida Municipal Loan Council Revenue Bonds, Series 1999B. The bonds are to be repaid with non-advalorem revenues of the Town. The bonds were issued for a period of 24 years with interest rates ranging from 3.0% to 5.0%. Principal is payable annually on November 1. Interest is payable on May 1 and November 1 of each year commencing on May 1, 2007, with a final payment on November 1, 2029. The outstanding principal balance as of September 30, 2009 is \$1,605,000, plus a premium of \$47,703.

Annual debt service requirements to maturity for ad valorem tax bonds, and revenue bonds outstanding are as follows:

Year ending September 30,	Principal	Interest	Total
2010	\$ 90,232	\$ 88,244	\$ 178,476
2011	97,445	83,991	181,436
2012	99,780	79,835	179,615
2013	102,243	75,510	177,753
2014	104,840	71,014	175,854
2015-2019	325,000	303,305	628,305
2020-2024	415,000	212,375	627,375
2025-2029	515,000	97,625	612,625
2030	120,000	3,000	123,000
Totals	<u>\$ 1,869,540</u>	<u>\$ 1,014,899</u>	<u>\$ 2,884,439</u>

# TOWN OF MELBOURNE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2009

## NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

### F. Long-term debt (continued)

#### Note Payable

On August 20, 2009, the Town entered into a loan with a bank in the amount of \$3,500,000 for the purpose of improving the stormwater management system and the repaving of affected streets. The note was issued for a period of 19 years with an interest rate of 4.23%. Principal is payable annually on July 1. Interest is payable on July 1 and January 1 of each year commencing on January 1, 2010, with a final payment on July 1, 2028. The outstanding principal balance as of September 30, 2009 is \$3,500,000.

Annual debt service requirements to maturity for the Series 2009 note outstanding are as follows:

Year ending September 30,	Principal	Interest	Total
2010	\$ 106,000	\$ 125,431	\$ 231,431
2011	130,000	143,566	273,566
2012	135,000	138,068	273,068
2013	141,000	132,358	273,358
2014	147,000	126,392	273,392
2015-2019	833,000	533,316	1,366,316
2020-2024	1,023,000	341,742	1,364,742
2025-2029	985,000	106,342	1,091,342
Totals	<u>\$ 3,500,000</u>	<u>\$ 1,647,215</u>	<u>\$ 5,147,215</u>

#### Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2009, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
Ad Valorem bonds payable	\$ 262,675	\$ -	\$ (38,135)	\$ 224,540	\$ 40,232
Revenue bonds payable	1,690,000	-	(45,000)	1,645,000	50,000
Bond premium	51,375	-	(3,672)	47,703	-
Deferred loss	(107,576)	-	7,732	(99,844)	-
Total bonds payable	<u>1,896,474</u>	<u>-</u>	<u>(79,075)</u>	<u>1,817,399</u>	<u>90,232</u>
Note payable	-	3,500,000	-	3,500,000	106,000
Capital leases	660,764	-	(65,291)	595,473	68,538
Compensated absences	<u>76,486</u>	<u>30,665</u>	<u>(13,721)</u>	<u>93,430</u>	<u>46,715</u>
Governmental activity long-term liabilities	<u>\$ 2,633,724</u>	<u>\$ 3,530,665</u>	<u>\$ (158,087)</u>	<u>\$ 6,006,302</u>	<u>\$ 311,485</u>

Capital leases and compensated absences are generally liquidated by the General fund.

# TOWN OF MELBOURNE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2009

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## NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

### G. Operating leases

The Town leases certain equipment under non-cancellable operating leases. The following schedule represents minimum future rental expense related to the leases.

Year Ending September 30,		
2010	\$	7,884
2011		7,884
2012		7,884
2013		5,913
Total minimum future rental expense	\$	<u>29,565</u>

## NOTE 4 – OTHER INFORMATION

### A. 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 this exposure, the Town participates in the Florida League of Cities (a not-for-profit corporation) self-insurance program for workers compensation, general and auto liability, and property insurance. The self-insurance purchases excess and specific coverages from third party insurance carriers. Participants in the program are billed annually for their portion of the cost of the program adjusted for actual experience during the period of coverage. There have been no significant reductions in insurance coverage during 2009. Settled claims have not exceeded commercial excess coverages in any of the past three years.

### B. Retirement commitments – defined benefit plans

#### Florida Retirement System

The Town began participating on December 1, 2006 in the Florida Retirement System (the System), a cost-sharing, multiple-employer public employee retirement system administered by the State of Florida Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. Amendments may only be made by the State Legislature. The System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to State of Florida Division of Retirement, 2639-C North Monroe Street, Tallahassee, FL 32399-1560.

Generally, membership is compulsory for all full-time and part-time general employees. The employer pays all contributions. The rates for employees as a percent of covered payroll vary depending on the employee's membership class. Contribution rates were 9.85% for regular employees for 2009 and 2008. The amount of covered payroll for the years ended September 30, 2009, 2008, and 2007 were \$328,035, \$311,817, and \$307,140, respectively. The City's contributions to the System for the three years ended September 30, 2009, 2008, and 2007 were \$32,311, \$30,714, and \$23,855, respectively, and are equal to the required contributions for each year.

# TOWN OF MELBOURNE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2009

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## NOTE 4 – OTHER INFORMATION (CONTINUED)

### B. Retirement commitments – defined benefit plans (continued)

#### Police Officers' Pension Plan

The Town maintains a separate single employer defined benefit pension plan for employees.

Plan description – All full-time police officers are eligible to participate in the Police Officers' Pension Plan. This is a single employer, defined benefit pension plan. Benefits vest after ten years of service. Participants may retire upon attainment of the earlier, age 55 and completion of ten years of credited service, or age 52 and 20 years of credited service. Retirees are entitled to 3.0% of average monthly earnings times years of credited service. The plan also provides service-incurred disability compensation and early retirement. Early retirement may be taken at age 50 and 10 years of credited service with reduced benefits. The total contributions to the plan, including plan members contributions, are 30.0% of annual covered payroll. Benefit provisions and other requirements of the Plan are established by Florida Statutes and Town Ordinance 81-9. They are accounted for as pension trust funds and reported on herein as part of the Town's reporting entity. The plan is administered through its own Board of Trustees. There are 6 retirees receiving benefits, and 8 active members. Pension plan data is provided from the respective actuarial reports as of October 1, 2007.

Summary of significant accounting policies - The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms for the plan. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value.

Funding policy - The Town's annual contribution to the pension plan was \$94,895 which approximated the actuarially determined contribution of \$94,886 for the plan year ended September 30, 2009. The Town uses the Entry Age Normal Actuarial Cost Method (EANACM). This is an acceptable method to the State of Florida. These liabilities are being funded over a 30 year period.

The State of Florida has established guidelines for state and local pension plan funding and requires submission to and approval of the local government's actuarial reports by a State Bureau, at least every third year. The Town's pension plans, by policy, require the following:

1. Annual actuarial reports as of October 1 of each year to determine the next year's required contributions.
2. Employee contributions at 5% of compensation.
3. Employer contributions in accordance with the actuarially determined requirement using the EANACM for the General Employees' Retirement System.

Annual pension cost – The Town's actuarially required contribution was \$131,265, and the amount funded by member, Town, and State contributions was \$149,621.

The actuarial assumptions used to compute the actuarially required contributions included (a) 8.0% investment rate of return and (b) projected salary increases of 6.0% compounded annually.

# TOWN OF MELBOURNE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2009

## NOTE 4 – OTHER INFORMATION (CONTINUED)

### B. Retirement commitments – defined benefit plans (continued)

Trend information for the Town’s defined benefit plan is as follows:

	Fiscal Year Ended	Annual Pension Cost (APC)	Percent of APC Contributed	Net Pension Obligation
Police Plan	2009	94,886	100%	(9)
	2008	57,066	100%	-
	2007	70,054	100%	-

### C. Defined contribution plan

#### *401(a) Money Purchase Plan and Trust*

In January, 2005, the Town established a 401(a) Money Purchase Plan and Trust with ICMA Retirement Corporation, exclusively for the Town Manager in accordance with an employment agreement with the Town Manager. Such employment agreement requires the Town to contribute 10% of the Town Manager’s annual salary into this money purchase plan. The Town Manager cannot contribute.

Covered payroll under the Plan for the years ended September 30, 2009 and 2008 was \$75,320, and \$79,720, respectively. The Town’s actual and required contributions totaled \$7,532 and \$7,972 for the years ended September 30, 2009 and 2008, respectively.

### D. Employee retirement plans – combining fund information

	Police Plan	Defined Contribution Plan	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 64,577	\$ -	\$ 64,577
Investments at fair value:			
Equity investment	1,079,364		1,079,364
Mutual funds	561,040	22,516	583,556
Accounts receivable	3,379	287	3,666
Total assets	<u>1,708,360</u>	<u>22,803</u>	<u>1,731,163</u>
<b>LIABILITIES</b>			
	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS</b>			
Held in trust for pension benefits	<u>\$ 1,708,360</u>	<u>\$ 22,803</u>	<u>\$ 1,731,163</u>

# TOWN OF MELBOURNE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2009

## NOTE 4 – OTHER INFORMATION (CONTINUED)

### D. Employee retirement plans – combining fund information (continued)

	Police Plan	Defined Contribution Plan	Total
<b>ADDITIONS</b>			
Contributions:			
Town	\$ 94,895	\$ 7,532	\$ 102,427
Employee	18,347	-	18,347
State	36,379	-	36,379
Total contributions	149,621	7,532	157,153
Investment income (loss):			
Net appreciation (depreciation) in the fair value of investments	(59,663)	1,622	(58,041)
Interest and dividends	32,268	-	32,268
Net investment income (loss)	(27,395)	1,622	(25,773)
<b>Total additions</b>	122,226	9,154	131,380
<b>DEDUCTIONS</b>			
Benefit payments	241,737	13,195	254,932
Refunded contributions	17,675	-	17,675
Administrative expenses	57,639	-	57,639
Total deductions	317,051	13,195	330,246
<b>Change in net assets</b>	(194,825)	(4,041)	(198,866)
<b>Net assets held in trust for pension benefits, beginning of year</b>	1,903,185	26,844	1,930,029
<b>Net assets held in trust for pension benefits, end of year</b>	<u>\$ 1,708,360</u>	<u>\$ 22,803</u>	<u>\$ 1,731,163</u>

### E. Subsequent Events

On November 10, 2009, the Town entered into a contract for a stormwater improvement project for \$447,324. On December 16, 2009, the Town approved an amendment to the above contract increasing the total to \$500,173.

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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# TOWN OF MELBOURNE BEACH, FLORIDA

## Required Pension Supplementary Information - Schedule of Funding Progress

Last Six Fiscal Years

### Police Pension Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability AAL Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL a % of Covered Payroll ((b-a)/c)
10/1/2009	\$ 2,050,034	\$ 2,894,442	\$ 844,408	70.83%	\$ 329,086	256.59%
10/1/2008	2,204,106	2,811,683	607,577	78.39%	357,837	169.79%
10/1/2007 *	2,290,447	2,874,543	584,096	79.68%	434,305	134.49%
10/1/2006	2,169,935	2,428,604	258,669	89.35%	358,396	72.17%
10/1/2005	2,009,852	2,316,409	306,557	86.77%	337,404	90.86%
10/1/2004	1,900,020	2,206,173	306,153	86.12%	414,749	73.82%

\* The actuarial cost method changed from Frozen Entry Age to Entry Age Normal.

# TOWN OF MELBOURNE BEACH, FLORIDA

Required Pension Supplementary Information - Schedule of Contributions from the Employer  
And Other Contributing Entities

Last Six Fiscal Years

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## Police Pension Plan:

<u>Year Ended September 30</u>	<u>Annual Required Contribution</u>	<u>Town Contribution</u>	<u>State Contribution</u>	<u>Percentage Contributed</u>
2009	\$ 131,265	\$ 94,895	\$ 36,379	100.00%
2008	99,856	57,066	42,790 *	100.00%
2007	112,844	70,054	42,790 *	100.00%
2006	151,467	108,677	42,790 *	100.00%
2005	136,101	93,311	42,790 *	100.00%
2004	121,035	72,690	48,345	100.00%

\* State contribution amounts are frozen at this level until further benefit improvements are made per requirements of Chapter 175, Florida Statutes, as amended.

# TOWN OF MELBOURNE BEACH, FLORIDA

## Required Pension Supplementary Information - Additional Actuarial Information

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The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	<u>Police Pension Plan</u>
Contribution rates as of 09/30/09:	
City	19.5%
Plan members	5.0%
Annual pension cost	\$94,886
Contributions made	\$94,895
Actuarial valuation date	10/1/2007
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of pay, closed
Remaining amortization period	28 years as of 10/1/09
Asset valuation method	4-year smooth
Actuarial assumptions:	
Investment rate return	8.0%
Projected salary increases *	6.0%
* Includes inflation at	3.0%
Post retirement cost-of-living adjustments	3.0% beginning at retirement until age 62

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# TOWN OF MELBOURNE BEACH, FLORIDA

## Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

General Fund

Year Ended September 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 1,322,208	\$ 1,344,629	\$ 1,412,774	\$ 68,145
Licenses and permits	321,800	321,800	335,847	14,047
Intergovernmental	258,000	234,000	274,849	40,849
Charges for services	9,500	9,500	15,836	6,336
Fines and forfeitures	35,000	35,000	21,553	(13,447)
Miscellaneous (including interest)	45,136	45,136	45,838	702
Total revenues	<u>1,991,644</u>	<u>1,990,065</u>	<u>2,106,697</u>	<u>116,632</u>
<b>Expenditures</b>				
General government:				
Legislative	96,785	95,755	95,713	42
Executive	143,906	145,470	145,293	177
Finance	104,711	105,011	104,704	307
Legal counsel	88,140	69,740	69,730	10
Comprehensive planning	22,600	13,784	13,503	281
General services	188,495	171,882	171,755	127
Total General Government	<u>644,637</u>	<u>601,642</u>	<u>600,698</u>	<u>944</u>
Physical Environment	277,603	270,103	269,766	337
Recreation	10,800	11,600	11,511	89
Public Safety:				
Law enforcement	718,357	759,611	759,560	51
Fire control	151,825	135,114	134,699	415
Protective services	82,937	80,737	80,702	35
Total Public Safety:	<u>953,119</u>	<u>975,462</u>	<u>974,961</u>	<u>501</u>
Total expenditures	<u>1,886,159</u>	<u>1,858,807</u>	<u>1,856,936</u>	<u>1,871</u>
<b>Excess of revenues over expenditures</b>	<u>105,485</u>	<u>131,258</u>	<u>249,761</u>	<u>118,503</u>
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	-	-	600	600
Transfers out	(194,212)	(219,985)	(219,985)	-
Net other financing sources (uses)	<u>(194,212)</u>	<u>(219,985)</u>	<u>(219,385)</u>	<u>600</u>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<u>(88,727)</u>	<u>(88,727)</u>	<u>30,376</u>	<u>119,103</u>
<b>Fund balances, beginning of year</b>	<u>1,264,262</u>	<u>1,264,262</u>	<u>1,264,262</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 1,175,535</u>	<u>\$ 1,175,535</u>	<u>\$ 1,294,638</u>	<u>\$ 119,103</u>

# TOWN OF MELBOURNE BEACH, FLORIDA

Notes to Required Supplementary Information

September 30, 2009

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## A. Budgetary information

The Town of Melbourne Beach, Florida follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to September 1, the Town Manager submits to the Town Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them. Complete copies of the proposed budget are open for public inspection until the budget is finally adopted.
- The required number of public hearings are held by the Town Commission.
- Prior to October 1, the budget is legally enacted through passage of a resolution, which indicates amounts appropriated. The appropriated budget is prepared by fund, function and department.
- The budgets for governmental funds are adopted on a basis that is consistent with generally accepted accounting principles (GAAP). Budgeted amounts reflected in the accompanying budget and actual comparisons are as adopted, and subsequently amended, by the Town Commission.
- All appropriations which are not expended or accrued lapse at year end.
- The Town Manager may make transfers within a department as long as the total budget for the department is not increased. Transfers of appropriations between departments require the approval of the Commission. The Town's Ordinance establishes the level at which expenditures may not exceed appropriations at the department level.

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# TOWN OF MELBOURNE BEACH, FLORIDA

Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2009

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	Special Revenue		
	Law Enforcement Forfeiture	Law Enforcement Donations	Police Education Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,429	\$ 37,373	\$ 13,977
Due from other governments	-	-	-
Total assets	<u>\$ 1,429</u>	<u>\$ 37,373</u>	<u>\$ 13,977</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 6,896	\$ -
Total liabilities	<u>-</u>	<u>6,896</u>	<u>-</u>
<b>FUND BALANCES</b>			
Reserved for:			
Unreserved, undesignated	<u>1,429</u>	<u>30,477</u>	<u>13,977</u>
Total fund balances	<u>1,429</u>	<u>30,477</u>	<u>13,977</u>
Total liabilities and fund balances	<u>\$ 1,429</u>	<u>\$ 37,373</u>	<u>\$ 13,977</u>

<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
<u>Old Town Hall</u>	<u>Stormwater Utility Fund</u>	
\$ 9,900	\$ 100,839	\$ 163,518
-	18,750	18,750
<u>\$ 9,900</u>	<u>\$ 119,589</u>	<u>\$ 182,268</u>
\$ 74	\$ -	\$ 6,970
74	-	6,970
9,826	119,589	175,298
<u>9,826</u>	<u>119,589</u>	<u>175,298</u>
<u>\$ 9,900</u>	<u>\$ 119,589</u>	<u>\$ 182,268</u>

# TOWN OF MELBOURNE BEACH, FLORIDA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

September 30, 2009

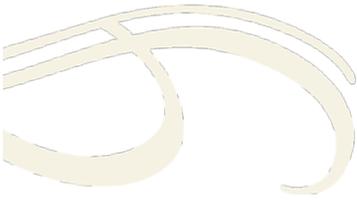
	Special Revenue	
	Law Enforcement Forfeiture	Law Enforcement Donations
<b>REVENUES</b>		
Taxes	\$ -	\$ -
Intergovernmental	-	-
Fines and forfeitures	1,429	-
Miscellaneous	-	-
Total revenues	<u>1,429</u>	<u>-</u>
<b>EXPENDITURES</b>		
Current:		
Public safety	-	12,069
Recreation	-	-
Physical environment	-	-
Capital outlay	1,939	-
Total expenditures	<u>1,939</u>	<u>12,069</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(510)</u>	<u>(12,069)</u>
<b>OTHER FINANCING SOURCES</b>		
Transfers in	-	-
Total other financing sources	<u>-</u>	<u>-</u>
<b>Net changes in fund balances</b>	(510)	(12,069)
<b>Fund balances, beginning of year</b>	1,939	42,546
<b>Fund balances, end of year</b>	<u>\$ 1,429</u>	<u>\$ 30,477</u>

Special Revenue			Total
Police Education Fund	Old Town Hall	Stormwater Utility Fund	Nonmajor Governmental Funds
\$ -	\$ -	\$ 53,730	\$ 53,730
-	-	109,178	109,178
1,258	-	-	2,687
-	2,595	-	2,595
<u>1,258</u>	<u>2,595</u>	<u>162,908</u>	<u>168,190</u>
4,325	-	-	16,394
-	2,192	-	2,192
-	-	6,487	6,487
-	-	33,031	34,970
<u>4,325</u>	<u>2,192</u>	<u>39,518</u>	<u>60,043</u>
<u>(3,067)</u>	<u>403</u>	<u>123,390</u>	<u>108,147</u>
-	-	35,000	35,000
-	-	35,000	35,000
(3,067)	403	158,390	143,147
17,044	9,423	(38,801)	32,151
<u>\$ 13,977</u>	<u>\$ 9,826</u>	<u>\$ 119,589</u>	<u>\$ 175,298</u>

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Hoyman Dobson



**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Honorable Mayor and Members of Town Commission  
Town of Melbourne Beach, Florida

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Melbourne Beach, Florida, as of and for the year ended September 30, 2009, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 11, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town of Melbourne Beach, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Melbourne Beach, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Melbourne Beach, Florida's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Melbourne Beach, Florida's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Melbourne Beach, Florida's financial statements that is more than inconsequential will not be prevented or detected by the Town of Melbourne Beach, Florida's internal control. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies, as defined above.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Melbourne Beach, Florida's internal control.

**Certified Public Accountants**

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

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

#### **IC 2009-01 EXPENDITURES IN EXCESS OF BUDGET**

Condition/Criteria: Expenditures must not exceed the legal level of budgetary control (for the Town, this is by department as defined in the Ordinance). For the year ended September 30, 2009, the Town's physical environment expenses exceeded budgeted expense by approximately \$10,000 for the capital projects fund, and the Town's physical environment expenses exceeded budgeted expense by approximately \$37,000 for the debt service fund. We noted the majority of the overages were for maintenance expenses not budgeted, and costs for a new debt issuance.

Cause of Condition: Failure to monitor budgeted versus actual expenditures

Effect of Condition: Expenditures exceeded the legal level of budgetary control, as defined in the Ordinance.

Recommendation: The Town Accountant should review all budget to actual expenditure comparisons at least quarterly to ensure expenditures do not exceed the legal level of budgetary control. Appropriate budget adjustments should be approved by the Commission within 60 days of year end as necessary.

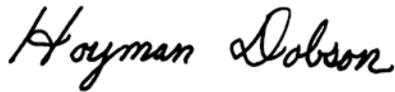
Management's Response: Both the Town Manager and the Accountant review the accounts monthly and compare budgeted to actual expense. The variances noted in this comment occurred as follows:

- a) The approximately \$10,000 of physical environment expenses in the capital projects fund relates to work done refurbishing the Ryckman House during the fiscal year. Although the Town Commission did not amend the budget for these expenditures, they specifically authorized the transfer of funds from the General Fund to pay for these outlays.

- b) The \$37,000 of unbudgeted expenditures relating to the debt service fund were attributable to expenditures for professional services relating to the placement and issuance of the voted debt for the stormwater bond. These expenditures were also specifically authorized by the Town Commission as part of the debt acquisition process and were funded from the bond proceeds.

The Town of Melbourne Beach, Florida's response to the finding identified in our audit is described above. We did not audit the Town of Melbourne Beach, Florida's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town Commission, management, others within the entity, state and federal awarding agencies, specific legislative or regulatory bodies, and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Hoyman Dobson". The signature is written in a cursive style. To the right of the signature is a vertical yellow line.

**Hoyman Dobson**  
Melbourne, Florida  
January 11, 2010

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Hoyman Dobson

**Independent Auditors’  
Management Letter**

Honorable Mayor and Members of Town Commission  
Town of Melbourne Beach, Florida

We have audited the financial statements of the Town of Melbourne Beach, Florida as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated January 11, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General. We have issued our Independent Auditors’ Report on Compliance and Internal Control over Financial Reporting. Disclosures in that report, which is dated January 11, 2010, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors’ reports or schedule:

- ❖ Section 10.554(l)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, as noted below:

Internal Control Letter Comments

IC 2008-01	IT Backup	Cleared
IC 2008-02	Review of Journal Entries	Cleared
IC 2008-03	Expenditures in Excess of Budget	Revised and repeated as IC 2009-01

Management Letter Comments

ML 2008-01	Fund Balance Deficit	Cleared
ML 2008-02	Review of Bank Reconciliations	Cleared
ML 2008-03	Telephone Usage	Cleared

- ❖ Section 10.554(l)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415., Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Town of Melbourne Beach, Florida complied with Section 218.415, Florida Statutes.
- ❖ Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

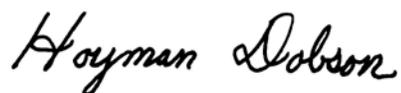
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- ❖ Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- ❖ Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.
- ❖ Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority of the Town of Melbourne Beach, Florida is disclosed in the footnotes. The Town of Melbourne Beach, Florida does not have any component units.
- ❖ Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the special condition(s) met. In connection with our audit we determined that the Town of Melbourne Beach, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- ❖ Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Town of Melbourne Beach, Florida for the fiscal year ended September 30, 2009, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2009. In connection with our audit, we determined that these two reports were in agreement.
- ❖ Sections 10.554(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Honorable Mayor and Members of Town Commission  
Town of Melbourne Beach, Florida  
Page Three

This management letter is intended solely for the information and use of the Town Commission, management, others within the entity, state and federal awarding agencies, specific legislative or regulatory bodies, and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Hoyman Dobson". The signature is written in black ink and is positioned to the left of a vertical yellow line.

**Hoyman Dobson**  
Melbourne, Florida  
January 11, 2010