



**Town of Melbourne Beach, Florida  
Financial Statements  
Year Ended September 30, 2011**

# TOWN OF MELBOURNE BEACH, FLORIDA

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Financial Statements

Year Ended September 30, 2011

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# TOWN OF MELBOURNE BEACH, FLORIDA

Town Commission Members and Officials

Year Ended September 30, 2011

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Jean Marshall  
*Mayor*

Jay Gurecki  
*Vice Mayor*

April Evans  
Rocco Maglio  
Martha Remark  
*Commission Members*

Bill Hoskovec  
*Town Manager*

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## 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, 2011, 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, 2011, 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 27, 2012, 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 12), historical pension information (pages 45 through 46) and budgetary comparison information (pages 48 through 49) are not a required part of the basic 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.

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

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 on pages 51 through 54 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.

*Carr Riggs & Ingram, LLC*

**Carr, Riggs & Ingram, LLC**  
Melbourne, Florida  
January 27, 2012

## 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, 2011.

### Financial Highlights

- The assets of the Town of Melbourne Beach exceeded its liabilities at the close of the 2011 fiscal year by \$4,764,834 (net assets). Of this amount, \$3,398,517 is included in Investment in Capital, Net of Related Debt while restricted Net Assets is \$2,782,649.
- The total net assets increased \$76,690, an increase of 1.6% from the previous year.
- As of the close of fiscal year 2011, the Town's governmental funds reported combined ending fund balances of \$4,093,325, a decrease of \$200,372 in comparison with the prior year. While \$2,902,397 represents the portion restricted by outside parties, \$770,452 of the governmental funds balance is available for spending at the government's discretion (unassigned fund balance). An additional \$420,476 of governmental fund balance is nonspendable for current for current obligations.
- At the end of the 2011 fiscal year, unassigned fund balance for the general fund was \$770,452, or 36.7% of total general fund expenditures.
- The Town's total long term liabilities decreased by \$262,692 during the 2011 fiscal year. This reflects the repayment of outstanding balances for bonds, notes and capital leases. This also reflects an increase in the liability for compensated absences.

### 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 15-16 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 17-18 of this report.

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

The basic fiduciary fund financial statements can be found on pages 20-21 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 23-41 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, other post employment benefits to its employees, and budget to actual comparison. Required supplementary information can be found on pages 45-49 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on the General Fund budget. Combining and individual fund statements and schedules can be found on pages 50-53 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 \$4,764,834 at the close of the 2011 fiscal year.

By far the largest portion of the Town's net assets (71 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.

	Governmental activities	
	2011	2010
Current and other assets	\$ 4,603,487	\$ 4,964,644
Capital assets	5,939,520	5,638,814
Total assets	<u>10,543,007</u>	<u>10,603,458</u>
Current liabilities	310,262	184,711
Noncurrent liabilities	5,467,911	5,730,603
Total liabilities	<u>5,778,173</u>	<u>5,915,314</u>
Net assets:		
Invested in capital assets		
net of related debt	3,398,517	3,380,664
Restricted	2,782,649	2,876,777
Unrestricted	(1,416,332)	(1,569,297)
Total net assets	<u>\$ 4,764,834</u>	<u>\$ 4,688,144</u>

Of the remaining net assets, \$2,782,649 represents resources that are subject to external restrictions on how they may be used. These restrictions relate primarily to externally imposed parameters on spending for the \$3.5 million note. The remaining balance of unrestricted net assets, \$(1,416,332), reflects the fact that available resources are committed already to specific projects of the Town.

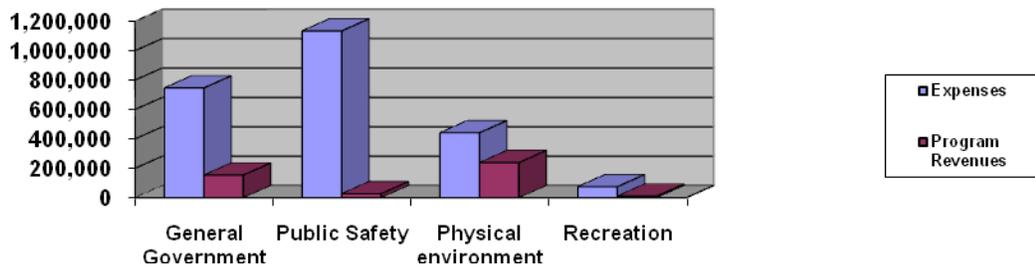
### Town's Changes in Net Assets

	Governmental activities	
	2011	2010
Revenues:		
Program revenues:		
Charges for services	\$ 108,417	\$ 113,483
Operating grants and contributions	83,067	96,370
Capital grants and contributions	238,802	405,111
General revenues:		
Property taxes	1,284,355	1,224,010
Other taxes	786,924	771,677
Shared revenues	205,942	211,412
Unrestricted investment earnings	1,761	1,997
Other	16,073	34,071
Total revenues	<u>2,725,341</u>	<u>2,858,131</u>
Expenses:		
General government	746,758	695,048
Public safety	1,134,330	1,039,470
Recreation	74,942	98,210
Physical environment	441,899	440,431
Interest on long-term debt	250,722	283,547
Total expenses	<u>2,648,651</u>	<u>2,556,706</u>
Increase in net assets	76,690	301,425
Net assets - beginning of year	4,688,144	4,386,719
Net assets - end of year	<u>\$ 4,764,834</u>	<u>\$ 4,688,144</u>

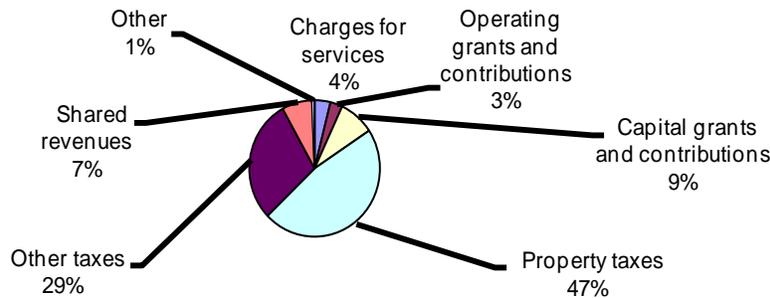
**Governmental activities.** Governmental activities increased the Town’s net assets by \$76,690. This amount is primarily attributable to increases in general revenues including Property taxes, Public Utility taxes and Franchise Fees. This is offset by an increase in expenses for public safety expenses and a decrease in interest on long-term debt. Governmental activities increased the Town’s assets by \$301,425 in the prior year. Key elements of the difference between the two years change in assets, \$224,735, are as follows:

- The Town’s total revenues related to governmental activities decreased by approximately \$132,790 from the prior year. Significant factors that contribute to the decrease in revenues are a \$179,612 decrease in operating and capital grants and contributions. This was offset by an increase in general revenues as noted above of approximately \$51,888 related to property taxes, public utility taxes and franchise fees.
- Expenses related to governmental activities also increased by approximately \$91,945 from the prior year. This increase is primarily related to an increase of approximately \$51,710 in general government expenses, and an increase in public safety expenses of \$94,860. These are offset by a reduction in recreation expenses of \$23,268 and a reduction in interest on long term debt of \$32,825.

**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, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year (2011), the Town’s governmental funds reported combined ending fund balances of \$4,093,325, a decrease of \$200,372 in comparison with the prior year. A portion of fund balance is designated as Nonspendable to indicate that it is not available for new spending because it has already been

committed: 1) \$82,661 for prepaid items and 2) \$337,815 for an Advance between the General and Capital Projects funds. An additional portion (\$2,902,397) is restricted for various purposes by outside constraints. The largest restriction (\$2,768,286) is for Stormwater Construction. The remaining amount, \$770,452 constitutes unassigned fund balance, which is available for spending at the government's discretion.

The General Fund is the chief operating fund of the Town. At the end of the 2011 fiscal year, unassigned fund balance of the general fund was \$770,452, while total fund balance was \$1,194,886. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures (excluding transfers). Unassigned fund balance represents 36.7 percent of total general fund expenditures, while total fund balance represents 56.9 percent of that same amount. The fund balance of the General Fund decreased by \$106,169 during the fiscal year. An excess of revenues over expenditures of approximately \$46,245 was offset by approximately \$152,414 of transfers to other governmental funds.

The Capital Projects Fund has a fund balance of \$2,772,802. The net decrease in fund balance during the current year in the capital projects fund was \$94,807. The decrease was related to expenditures for various Stormwater projects budgeted for the current year.

The Debt Service Fund has a balance of \$14,363. The increase in fund balance during the current year in the Debt Service fund was \$5,195. The increase related to the timing of revenue accumulation for current debt payments.

Nonmajor Funds has a balance of \$111,274. The net decrease in the funds of \$4,591 is attributable to the Law Enforcement Donations Fund expenditures for fiscal year 2011.

### **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, 2011, amounts to \$5,939,520 (net of accumulated depreciation). This represents a net increase of \$300,706 or a 5.3 percent increase from the previous year. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress.

The additions in the governmental activities are reflected as an increase in equipment and buildings. The increase in equipment represents \$5,427 for Police Department server upgrades, \$3,690 for general security upgrades, \$1,500 for a Viking Call Box at the Ocean Park, \$5,338 for an in car video system for the Police Department, \$1,127 for a defibrillator and \$1,137 for an Ocean Matrix Security System. Major construction in progress increases include \$450,382 expended for stormwater improvements project with \$113,479 moved out of construction in progress for the completed Ocean Park restroom facility project. These additions were offset by depreciation expense of \$281,374.

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

	2011	2010
Land	\$ 897,742	\$ 897,742
Buildings	1,954,129	1,917,654
Improvements other than building	606,421	660,797
Equipment	677,775	773,452
Infrastructure	1,343,352	1,379,450
Construction in progress	460,101	9,719
Total	<u>\$ 5,939,520</u>	<u>\$ 5,638,814</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 2011 fiscal year, the Town had total bonded debt principal outstanding of \$4,945,863. Of the bonded debt, \$3,405,863 is secured by a separate ad valorem millage. The remainder of the bonded debt, \$1,540,000 is secured by specified revenue sources (i.e., revenue bonds).

### **Town's Outstanding Debt**

	<u>2011</u>	<u>2010</u>
Ad Valorem bonds payable	\$ 141,863	\$ 184,308
Revenue bonds payable	1,540,000	1,595,000
Bond premium	40,437	44,044
Deferred loss	(84,542)	(92,138)
Note payable	3,264,000	3,394,000
Capital leases	470,068	526,936
Net OPEB Obligation	4,000	3,000
Compensated absences	92,085	75,453
Total	<u>\$ 5,467,911</u>	<u>\$ 5,730,603</u>

The Town's long-term liabilities decreased by \$262,692 during the current fiscal year. This decrease was attributable to repayment of bonds, notes and capital leases. This decrease also reflects an offsetting increase in the liability for compensated absences.

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**

The Town Commission approved a millage rate of 3.9856 for Fiscal Year 2012. The millage rate for Fiscal Year 2011 was 3.3443. The taxable value of real property decreased by 7.6 percent for Fiscal Year 2011 and is expected to decrease further in Fiscal Year 2012.

### **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 issue multiple major single family home building permits per year.

Several cost increases are anticipated in the next fiscal year. Capital outlay expenditures are expected to increase. Additional expenditures for on-going Stormwater projects will be incurred to complete scheduled projects. In addition, repairs to the pier may increase capital outlay expenditures. Extensive review of the Town's health benefits will allow a decrease in these costs for a portion of fiscal 2012 and fiscal 2013.

### **Requests for Information**

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

# **TOWN OF MELBOURNE BEACH, FLORIDA**

## Basic Financial Statements

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# TOWN OF MELBOURNE BEACH, FLORIDA

## Statement of Net Assets - Governmental Activities

September 30, 2011

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### ASSETS

Cash and cash equivalents	\$	4,118,788
Investments		1,818
Receivables		186,544
Due from other governments		189,463
Prepaid items		82,661
Capital assets (net of accumulated depreciation):		
Land		897,742
Buildings		1,954,129
Improvements other than buildings		606,421
Machinery and equipment		677,775
Infrastructure		1,343,352
Construction in progress		460,101
Net bond issuance costs		24,213
Total assets		<u>10,543,007</u>

### LIABILITIES

Accounts payable		199,599
Accrued payroll and related liabilities		27,968
Accrued interest payable		67,782
Unearned revenue		10,863
Deposits		4,050
Noncurrent liabilities:		
Due within one year:		
Revenue bonds payable		99,780
Capital leases		54,480
Note payable		135,000
Compensated absences		46,043
Due in more than one year:		
Revenue bonds payable		1,537,978
Capital leases		415,588
Note payable		3,129,000
Net OPEB obligation		4,000
Compensated absences		46,042
Total liabilities		<u>5,778,173</u>

### NET ASSETS

Invested in capital assets, net of related debt		3,398,517
Restricted for:		
Debt service		14,363
Community development projects		2,768,286
Unrestricted		(1,416,332)
Total net assets	\$	<u>4,764,834</u>

# TOWN OF MELBOURNE BEACH, FLORIDA

## Statement of Activities - Governmental Activities

Year Ended September 30, 2011

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	\$ 746,758	\$ 81,246	\$ 72,601	\$ -	\$ (592,911)
Public safety	1,134,330	17,978	9,033	-	(1,107,319)
Recreation	74,942	9,193	1,433	-	(64,316)
Physical environment	441,899	-	-	238,802	(203,097)
Interest on long-term debt	250,722	-	-	-	(250,722)
Total governmental activities	<u>\$ 2,648,651</u>	<u>\$ 108,417</u>	<u>\$ 83,067</u>	<u>\$ 238,802</u>	<u>(2,218,365)</u>
General revenues:					
Property taxes					1,284,355
Public utility taxes					548,336
Franchise taxes					238,588
Shared revenues not restricted to specific programs					205,942
Unrestricted investment earnings					1,761
Miscellaneous					16,073
Total general revenues					<u>2,295,055</u>
Change in net assets					76,690
Net assets, beginning					<u>4,688,144</u>
Net assets, ending					<u>\$ 4,764,834</u>

# TOWN OF MELBOURNE BEACH, FLORIDA

Balance Sheet - Governmental Funds

September 30, 2011

	General	Capital Projects	Debt Service	Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 814,220	\$ 3,173,154	\$ 14,363	\$ 117,051	\$ 4,118,788
Investments	1,818	-	-	-	1,818
Accounts receivable, net	186,544	-	-	-	186,544
Advance from other funds	337,815	-	-	-	337,815
Due from other governments	63,317	126,146	-	-	189,463
Prepaid items	82,661	-	-	-	82,661
Total assets	<u>\$ 1,486,375</u>	<u>\$ 3,299,300</u>	<u>\$ 14,363</u>	<u>\$ 117,051</u>	<u>\$ 4,917,089</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 131,285	\$ 62,537	\$ -	\$ 5,777	\$ 199,599
Accrued payroll and related liabilities	27,968	-	-	-	27,968
Advance to other funds	-	337,815	-	-	337,815
Deposits	4,050	-	-	-	4,050
Unearned revenue	10,863	-	-	-	10,863
Deferred revenue	117,323	126,146	-	-	243,469
Total liabilities	<u>291,489</u>	<u>526,498</u>	<u>-</u>	<u>5,777</u>	<u>823,764</u>
<b>Fund balance</b>					
<b>Nonspendable:</b>					
Prepaid items	82,661	-	-	-	82,661
Long term portion of advances	337,815	-	-	-	337,815
<b>Restricted for:</b>					
Debt service	-	-	14,363	-	14,363
Ocean Ave beautification	-	2,000	-	-	2,000
Historic preservation	-	2,516	-	-	2,516
Stormwater construction	-	2,768,286	-	-	2,768,286
Law enforcement	3,958	-	-	8,145	12,103
Law enforcement education	-	-	-	12,774	12,774
Old Town Hall	-	-	-	11,094	11,094
Stormwater utility	-	-	-	79,261	79,261
Unassigned	770,452	-	-	-	770,452
Total fund balances	<u>1,194,886</u>	<u>2,772,802</u>	<u>14,363</u>	<u>111,274</u>	<u>4,093,325</u>
Total liabilities and fund balances	<u>\$ 1,486,375</u>	<u>\$ 3,299,300</u>	<u>\$ 14,363</u>	<u>\$ 117,051</u>	

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

5,939,520

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

243,469

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

(5,511,480)

\$ 4,764,834

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

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# TOWN OF MELBOURNE BEACH, FLORIDA

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

Year Ended September 30, 2011

	General	Capital Projects	Debt Service	Nonmajor Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 1,481,528	\$ -	\$ 330,407	\$ 54,425	\$ 1,866,360
Licenses and permits	319,764	-	-	-	319,764
Intergovernmental	271,718	490,353	-	-	762,071
Charges for services	6,690	-	-	-	6,690
Fines and forfeitures	16,954	-	-	924	17,878
Interest	1,761	-	-	-	1,761
Miscellaneous	49,575	136	-	887	50,598
Total revenues	<u>2,147,990</u>	<u>490,489</u>	<u>330,407</u>	<u>56,236</u>	<u>3,025,122</u>
<b>Expenditures</b>					
Current:					
General government	692,015	-	-	-	692,015
Public safety	1,013,942	-	-	12,313	1,026,255
Recreation	9,971	1,316	-	155	11,442
Physical environment	283,910	40,526	-	48,359	372,795
Capital outlay	18,219	563,861	-	-	582,080
Debt service:					
Principal	56,868	-	227,445	-	284,313
Interest	26,820	-	229,774	-	256,594
Total expenditures	<u>2,101,745</u>	<u>605,703</u>	<u>457,219</u>	<u>60,827</u>	<u>3,225,494</u>
Excess (deficiency) of revenues over (under) expenditures	<u>46,245</u>	<u>(115,214)</u>	<u>(126,812)</u>	<u>(4,591)</u>	<u>(200,372)</u>
<b>Other financing sources (uses)</b>					
Transfers in	-	20,407	132,007	-	152,414
Transfers out	(152,414)	-	-	-	(152,414)
Net other financing sources (uses)	<u>(152,414)</u>	<u>20,407</u>	<u>132,007</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(106,169)</u>	<u>(94,807)</u>	<u>5,195</u>	<u>(4,591)</u>	<u>(200,372)</u>
Fund balances, beginning	1,301,055	2,867,609	9,168	115,865	4,293,697
Fund balances, ending	<u>\$ 1,194,886</u>	<u>\$ 2,772,802</u>	<u>\$ 14,363</u>	<u>\$ 111,274</u>	<u>\$ 4,093,325</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, 2011

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Net change in fund balances - total governmental funds	\$ (200,372)
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 capital outlays exceed depreciation expense in the current period.	300,706
Other post employment benefit obligations reported in the statement of activities does not require the use of current financial resources; therefore, is not reported as an expenditure in governmental funds.	(1,000)
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.	278,113
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.	(8,705)
Interest expense reported in the statement of activities requires the use of current financial resources and, therefore, is reported as an expenditure in the governmental funds.	3,106
The hazard mitigation grant revenues were recorded in the statement of activities since they did provide current financial resources in the prior year, but they are reported as revenues in the governmental funds in the current year.	(404,672)
The St. John's water management district grant revenues are recorded in the statement of activities, but since they do not provide current financial resources are not reported as revenues in the funds.	126,146
Compensated absences 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.	<u>(16,632)</u>
Change in net assets of governmental activities	<u>\$ 76,690</u>

# TOWN OF MELBOURNE BEACH, FLORIDA

## Statement of Fiduciary Net Assets - Pension Trust Funds

September 30, 2011

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### ASSETS

Cash and cash equivalents	\$	118,308
Investments at fair value:		
Equity investments		1,050,544
Mutual funds		563,030
Accounts receivable		95,218
Total assets		<u>1,827,100</u>

### LIABILITIES

-

### NET ASSETS

Held in trust for pension benefits	\$	<u><u>1,827,100</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, 2011

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### ADDITIONS

Contributions:

Town	\$	213,429
Employee		20,926
State		33,669
Total contributions		<u>268,024</u>

Investment income:

Net depreciation in the fair value of investments		(3,650)
Interest and dividends		45,770
Net investment income		<u>42,120</u>

**Total additions**

310,144

### DEDUCTIONS

Benefit payments		246,554
Administrative expenses		47,380
Total deductions		<u>293,934</u>

**Change in net assets**

16,210

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

1,810,890

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

\$ 1,827,100

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# TOWN OF MELBOURNE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2011

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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, 2011

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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, 2011

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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, and 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. The Florida PRIME has adopted operating procedures consistent with the requirements for a 2a7-like fund. The fair value of the Town's position in the pool is equal to the value of pooled shares. 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."

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

# TOWN OF MELBOURNE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2011

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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 \$3.3443 for 2011. The Town also levies on taxes per \$1,000 of assessed value was \$.9700 for stormwater, and \$.1862 for the library for 2011. 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, 2011

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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

The Town adopted GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended September 30, 2011. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Non-Spendable Fund Balance - Amounts that are inherently not spendable because of their form (such as inventory) and/or that cannot convert or are not readily convertible to cash (such as prepaid assets or the long-term portion of loans receivable).

Restricted Fund Balance - Amounts that have externally enforceable limitations on their use. These amounts are constrained to the specific purposes by their providers (such as grantors, bondholders, or higher levels of government pursuant to enabling legislation, e.g., gas tax revenues that must be used for road repairs).

# TOWN OF MELBOURNE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2011

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

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

Committed Fund Balance - Amounts that have self-imposed limitations established through actions of the Town Commission (the Town's highest level of decision making authority) set in place prior to the end of a financial reporting period. These amounts cannot be used for any other purpose unless the Town Commission takes action to remove or change the limitation.

Assigned Fund Balance – Amounts that the Town intends to use for a specific purpose. The authority for such intent may be expressed by the Town Commission, or is herein delegated independently to the Town Manager and/or Finance Director.

Unassigned Fund Balance – The remaining portion of fund balance which is spendable and not obligated or specifically designated, and thus, available for any purpose.

The Town would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds. The Town did not have any Committed or Assigned fund balances as of September 30, 2011.

## 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, compensated absences, and the net OPEB obligation, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$(5,511,480) difference are as follows:

Bonds payable	\$ (1,681,863)
Less: deferred issuance costs (to be amortized over life of debt)	24,213
Plus: issuance premium (to be amortized over life of debt)	(40,437)
Less: deferred refunding loss (to be amortized over life of debt)	84,542
Note payable	(3,264,000)
Accrued interest payable	(67,782)
Capital lease	(470,068)
Net OPEB Obligation	(4,000)
Compensated absences	(92,085)
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ (5,511,480)</u>

# TOWN OF MELBOURNE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2011

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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

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 \$300,706 difference are as follows:

Capital outlay	\$ 582,080
Depreciation expense	<u>(281,374)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at changes in <i>net assets of governmental activities</i>	<u>\$ 300,706</u>

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 \$278,113 difference are as follows:

Principal repayments:	
Capital leases	\$ 56,868
Revenue bonds	55,000
Ad valorem bonds	42,445
Note payable	130,000
Amortization of bond premium	3,607
Amortization of debt issuance costs	(2,211)
Amortization of deferred refunding loss	<u>(7,596)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 278,113</u>

## NOTE 3 – DETAILED NOTES ON ALL FUNDS

### A. Deposits and investments

At September 30, 2011, the Town’s carrying amount of cash deposits was \$3,701,552 and the bank balance was \$4,036,792. In addition, the Town reported petty cash of \$350. As of September 30, 2011, \$250,000 of the Town’s bank balances are covered by federal depository insurance (FDIC). 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, 2011

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

### A. Deposits and investments (continued)

#### Credit risk

The Town does not have an adopted investment policy since it follows Florida Statute 218.415 for investment decisions. The pension plans' policies also do not address credit risk.

#### Interest rate risk

The Town does not have an investment policy that addresses interest rate risk since it follows Florida Statute 218.415.

#### Concentration of credit risk

The Town's Police Pension Plan 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 since it follows Florida Statute 218.415. The defined contribution plan does not address credit risk.

At September 30, 2011, 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	\$ 416,886	\$ 416,886	\$ -	\$ -	\$ -	AAA	S&P
SBA: Fund B	1,818	-	1,818	-	-	Not rated	
	<u>\$ 418,704</u>	<u>\$ 416,886</u>	<u>\$ 1,818</u>	<u>\$ -</u>	<u>\$ -</u>		
Pension trust funds:							
Money market fund	\$ 118,308	\$ 118,308	\$ -	\$ -	\$ -	Not rated	
Corporate stock	1,050,544	1,050,544	-	-	-	Not rated	
Bond mutual funds	543,778	543,778	-	-	-	Not rated	
Stock mutual funds	10,442	10,442	-	-	-	Not rated	
Balanced mutual fund	8,810	8,810	-	-	-	Not rated	
	<u>\$ 1,731,882</u>	<u>\$ 1,731,882</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		

### B. Receivables

Receivables as of year end for the government's general fund, are as follows:

	General Fund
Accounts	\$ 165,049
Tax	21,495
Total receivables	<u>\$ 186,544</u>

# TOWN OF MELBOURNE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2011

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

### C. Capital assets

Capital asset activity for the year ended September 30, 2011 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	9,719	563,861	(113,479)	460,101
Total capital assets, not being depreciated	<u>907,461</u>	<u>563,861</u>	<u>(113,479)</u>	<u>1,357,843</u>
Capital assets, being depreciated:				
Buildings	2,369,103	113,479	-	2,482,582
Improvements other than buildings	1,131,137	-	-	1,131,137
Equipment	1,666,125	18,219	-	1,684,344
Infrastructure	1,916,701	-	-	1,916,701
Total capital assets being depreciated	<u>7,083,066</u>	<u>131,698</u>	<u>-</u>	<u>7,214,764</u>
Less accumulated depreciation for:				
Buildings	451,449	(77,004)	-	(528,453)
Improvements other than buildings	470,340	(54,376)	-	(524,716)
Equipment	892,673	(113,896)	-	(1,006,569)
Infrastructure	537,251	(36,098)	-	(573,349)
Total accumulated depreciation	<u>2,351,713</u>	<u>(281,374)</u>	<u>-</u>	<u>(2,633,087)</u>
Total capital assets being depreciated, net	<u>4,731,353</u>	<u>(149,676)</u>	<u>-</u>	<u>4,581,677</u>
Governmental activities capital assets, net	<u>\$ 5,638,814</u>	<u>\$ 414,185</u>	<u>\$ (113,479)</u>	<u>\$ 5,939,520</u>

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

Governmental activities:	
General government	\$ 41,630
Public safety	98,520
Cultural and recreational	69,694
Physical environment	71,530
Total depreciation expense – governmental activities	<u>\$ 281,374</u>

# TOWN OF MELBOURNE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2011

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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, 2011, is as follows:

Advance to/from other funds:

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

The advance will be repaid in the next three to four years in a lump sum payment.

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>
Capital Projects Fund	General Fund	\$ 20,407
Debt Service Fund	General Fund	132,007
Total		<u>\$ 152,414</u>

Significant transfers included \$20,407 from the General fund to the Capital Projects fund for construction of certain capital assets, and \$132,007 from the General fund to the Debt Service fund for debt service requirements.

### 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	(351,073)
Total	<u>\$ 531,710</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2011, were as follows:

Year Ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 54,480	\$ 24,269	\$ 78,749
2013	57,111	21,638	78,749
2014	59,872	18,877	78,749
2015	32,477	15,982	48,459
2016	34,214	14,246	48,460
2017-2021	199,590	41,712	241,302
2022	32,324	1,676	34,000
Total minimum lease payments	<u>\$ 470,068</u>	<u>\$ 138,400</u>	<u>\$ 608,468</u>

# TOWN OF MELBOURNE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2011

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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, 2011 is \$141,863. The pledged gross revenues were \$53,249 and principal and interest payments were \$52,582 during 2011. As of September 30, 2011, principal and interest to maturity in 2014 to be paid from pledged future revenues totaled \$157,746.

#### Revenue Bond

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, 2011 is \$1,540,000, plus a premium of \$40,437.

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
2012	\$ 99,780	\$ 79,835	\$ 179,615
2013	102,243	75,510	177,753
2014	104,840	71,014	175,854
2015	60,000	66,230	126,230
2016	60,000	63,950	123,950
2017-2021	360,000	270,500	630,500
2022-2026	445,000	169,375	614,375
2027-2030	450,000	46,250	496,250
Totals	<u>\$ 1,681,863</u>	<u>\$ 842,664</u>	<u>\$ 2,524,527</u>

# TOWN OF MELBOURNE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2011

## 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, 2011 is \$3,264,000.

Payment of the principal and interest on the note payable is secured by a pledge of real property ad valorem tax revenues assessed at an annual millage rate not to exceed a total of .25 mils on all property within the Town. The pledged gross revenues were \$277,158 and principal and interest payments were \$273,566 during 2011. As of September 30, 2011, principal and interest to maturity in 2029 to be paid from pledged future revenues totaled \$4,642,218.

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

Year ending September 30,	Principal	Interest	Total
2012	\$ 135,000	\$ 138,068	\$ 273,068
2013	141,000	132,358	273,358
2014	147,000	126,392	273,392
2015	153,000	120,174	273,174
2016	160,000	113,702	273,702
2017-2021	904,000	461,364	1,365,364
2022-2026	1,111,000	253,378	1,364,378
2027-2029	513,000	32,782	545,782
Totals	<u>\$ 3,264,000</u>	<u>\$ 1,378,218</u>	<u>\$ 4,642,218</u>

#### Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2011, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
Ad Valorem bonds payable	\$ 184,308	\$ -	\$ (42,445)	\$ 141,863	\$ 44,780
Revenue bonds payable	1,595,000	-	(55,000)	1,540,000	55,000
Bond premium	44,044	-	(3,607)	40,437	-
Deferred loss	(92,138)	-	7,596	(84,542)	-
Total bonds payable	<u>1,731,214</u>	<u>-</u>	<u>(93,456)</u>	<u>1,637,758</u>	<u>99,780</u>
Note payable	3,394,000	-	(130,000)	3,264,000	135,000
Capital leases	526,936	-	(56,868)	470,068	54,480
Net OPEB obligation	3,000	1,000	-	4,000	-
Compensated absences	75,453	62,199	(45,567)	92,085	46,043
Governmental activity long-term liabilities	<u>\$ 5,730,603</u>	<u>\$ 63,199</u>	<u>\$ (325,891)</u>	<u>\$ 5,467,911</u>	<u>\$ 335,303</u>

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

# TOWN OF MELBOURNE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2011

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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,	
2012	\$ 7,884
2013	5,913
Total minimum future rental expense	<u>\$ 13,797</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 2011. 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 paid all contributions through June 30, 2011. Beginning July 1, 2011 employees began paying 3% of their gross income. The rates for employees as a percent of covered payroll vary depending on the employee's membership class. Contribution rates were 7.91%, 10.77%, and 9.85% for regular employees for 2011, 2010, and 2009. The amount of covered payroll for the years ended September 30, 2011, 2010, and 2009 were \$419,406, \$345,035, and \$328,035, respectively. The Town's contributions to the System for the three years ended September 30, 2011, 2010, and 2009 were \$33,175, \$33,986, and \$32,311, respectively, and are equal to the required contributions for each year.

# TOWN OF MELBOURNE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2011

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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 of, age 55 and completion of ten years of credited service, or age 52 and 20 years of credited service. Retirees are entitled to 3.0% of average monthly earnings times years of credited service. The plan also provides service-incurred disability compensation and early retirement. Early retirement may be taken at age 50 and 10 years of credited service with reduced benefits. 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 9 active members. Pension plan data is provided from the respective actuarial reports as of October 1, 2011.

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 \$206,606 which approximated the actuarially determined contribution of \$206,606 for the plan year ended September 30, 2011. 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 \$206,606, and the amount funded by member, Town, and State contributions was \$261,201.

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, 2011

## 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	2011	\$ 240,275	100%	(9)
	2010	154,116	100%	(9)
	2009	94,886	100%	(9)

**Funding Status and Funding Progress.** The funded status of the plan as of October 1, 2011, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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)
10/1/2011	\$ 1,989,982	\$ 3,084,260	\$ 1,094,278	64.52%	\$ 418,522	261.46%

The schedules of funding progress, presented as required supplemental information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

	Police Pension Plan
Contribution rates as of 09/30/11:	
City	57.4%
Plan members	5.0%
Annual pension cost	\$240,275
Contributions made	\$240,275
Actuarial valuation date	10/1/2011
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of pay, closed
Remaining amortization period	26 years as of 10/1/11
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

# TOWN OF MELBOURNE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2011

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## NOTE 4 – OTHER INFORMATION (CONTINUED)

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

Development of Net Pension Obligation (NPO). The sponsor has funded the actuarially determined required contributions for all years, thus the NPO is \$0.

Year Ended September 30	Annual Required Contribution	Town Contribution	State Contribution	NPO
2011	\$ 240,275	\$ 206,606	\$ 33,669	\$ -
2010	154,116	114,851	\$ 39,265	-
2009	131,274	94,895	36,379	-

### 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, 2011 and 2010 was \$68,230, and \$68,870, respectively. The Town's actual and required contributions totaled \$6,823 and \$6,887 for the years ended September 30, 2011 and 2010, respectively.

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

	Police Plan	Defined Contribution Plan	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 118,308	\$ -	\$ 118,308
Investments at fair value:			
Equity investment	1,050,544	-	1,050,544
Mutual funds	543,779	19,251	563,030
Accounts receivable	95,218	-	95,218
Total assets	<u>1,807,849</u>	<u>19,251</u>	<u>1,827,100</u>
<b>LIABILITIES</b>			
	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS</b>			
Held in trust for pension benefits	<u>\$ 1,807,849</u>	<u>\$ 19,251</u>	<u>\$ 1,827,100</u>

# TOWN OF MELBOURNE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2011

## NOTE 4 – OTHER INFORMATION (CONTINUED)

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

	Police Plan	Defined Contribution Plan	Total
<b>ADDITIONS</b>			
Contributions:			
Town	\$ 206,606	\$ 6,823	\$ 213,429
Employee	20,926	-	20,926
State	33,669	-	33,669
Total contributions	<u>261,201</u>	<u>6,823</u>	<u>268,024</u>
Investment income:			
Net appreciation (depreciation) in the fair value of investments	(4,311)	661	(3,650)
Interest and dividends	45,770	-	45,770
Net investment income	<u>41,459</u>	<u>661</u>	<u>42,120</u>
<b>Total additions</b>	<u>302,660</u>	<u>7,484</u>	<u>310,144</u>
<b>DEDUCTIONS</b>			
Benefit payments	226,554	20,000	246,554
Administrative expenses	47,380	-	47,380
Total deductions	<u>273,934</u>	<u>20,000</u>	<u>293,934</u>
<b>Change in net assets</b>	28,726	(12,516)	16,210
<b>Net assets held in trust for pension benefits, beginning of year</b>	<u>1,779,123</u>	<u>31,767</u>	<u>1,810,890</u>
<b>Net assets held in trust for pension benefits, end of year</b>	<u>\$ 1,807,849</u>	<u>\$ 19,251</u>	<u>\$ 1,827,100</u>

### E. Other post-employment benefits

As of October 1, 2009, the Town implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Reporting by Employers for Post-employment Benefits Other than Pensions* (OPEB), for certain post-employment health care benefits provided by the Town. The Town elected to implement this statement prospectively.

**Plan description.** The Town of Melbourne Beach, Florida administers a single-employer defined benefit healthcare plan (the “Plan”) that provides medical insurance to its employees and their eligible dependents. Pursuant to Section 112.0801 Florida Statutes, the Town is required to provide eligible retirees, as defined in the Town’s ordinances, the opportunity to participate in this Plan at the same cost that is applicable to active employees. Eligible participants include all employees who retire from the Town either under disability or after attaining age 62 or at least 30 years of service for general employees, or after attaining age 55 or at least 25 years of service for sworn employees.

Employees and their dependents may elect to remain in the Plan upon retirement up to age 65. After age 65 the Town's insurance coverage becomes secondary to the retiree's Medicare insurance. The Plan has 2 retirees receiving benefits and has a total of 15 active participants and dependents. Of that total, 13 are not yet eligible to receive benefits.

# TOWN OF MELBOURNE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2011

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## NOTE 4 – OTHER INFORMATION (CONTINUED)

### E. Other post-employment benefits (continued)

Benefit provisions for the Plan are established under the authority and policies of the Town Manager and may be amended by the Town Manager. The Council approves the Town’s annual budget and, therefore, indirectly approves the annual costs associated with the Plan. The Town has not established a trust or agency fund for the Plan. The Town does not issue stand alone financial statements for this Plan. All financial information related to the Plan is accounted for in the Town’s basic financial statements.

**Funding policy.** The Town is funding the Plan on a pay-as-you-go basis. Employees and their dependents are required to pay 100% of the estimated pro rata annual cost of the Plan. There is an implied subsidy in the insurance premiums for these employees because the premium charged for retirees is the same as the premium charged for active employees, who are younger than retirees on average.

For the year ended September 30, 2011, the Town’s contribution is \$6,000, which represents an estimate of the implied subsidy described above. Contributions of Plan members totaled \$48,262 for the year ended September 30, 2011.

**Annual OPEB cost and net OPEB obligation.** The Town’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town’s annual OPEB cost for the year ended September 30, 2011, the amount actually contributed to the Plan, and changes in the Town’s net OPEB obligation to the Plan:

Annual required contribution	\$	7,000
Interest on net OPEB obligation		-
Adjustment to annual required contribution		-
Annual OPEB cost		<u>7,000</u>
Contributions made		(6,000)
Interest on employer contributions		-
Increase in net OPEB obligation		<u>1,000</u>
Net OPEB obligation – beginning of year		<u>3,000</u>
Net OPEB obligation – end of year	\$	<u><u>4,000</u></u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation are as follows:

Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/11	\$ 7,000	86%	\$ 4,000
9/30/10	\$ 8,000	62.5%	\$ 3,000

# TOWN OF MELBOURNE BEACH, FLORIDA

Notes to Financial Statements

September 30, 2011

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## NOTE 4 – OTHER INFORMATION (CONTINUED)

### E. Other post-employment benefits (continued)

**Funded status and funding progress.** Because the Plan has fewer than 200 members, the Town is required to obtain an actuarial valuation at least every three years. The most recent actuarial valuation was performed as of January 1, 2010. Accordingly, the Town will be required to obtain a subsequent actuarial valuation within three years of that date. As of September 30, 2010, the actuarial accrued liability for benefits was \$45,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$474,000, and the ratio of unfunded actuarial accrued liability (UAAL) to the covered payroll was 9.5%.

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates about the future are formulated. Although the valuation results are based on values which the Town's actuarial consultant believes are reasonable assumptions, the valuation results reflect a long-term perspective and, as such, are merely an estimate of what future costs may actually be. Deviations in any of several factors, such as future interest rates, medical cost inflation, Medicare coverage, and changes in marital status, could result in actual costs being less or greater than estimated.

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, will present multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Because fiscal year 2010 was the year of implementation of GASB Statement No. 45 and the Town elected to apply the statement prospectively, only two years is presented in the schedule at this time. In future years, required trend data will be presented.

**Actuarial Methods and Assumptions.** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the September 30, 2010 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.0% investment rate of return (including inflation of 2.75%) and an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 6.0% after nine years. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The UAAL is being amortized using a level-dollar payment basis over an open period of 10 years.

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**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

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### Police Pension Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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)
10/1/2011	\$ 1,989,982	\$ 3,084,260	\$ 1,094,278	64.52%	\$ 418,522	261.46%
10/1/2010	2,012,245	2,967,296	955,051	67.81%	412,334	231.62%
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%

\* 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>
2011	\$ 240,275	\$ 206,606	\$ 33,669	100.00%
2010	154,116	114,851	39,265	100.00%
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%

\* 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 Other Postemployment Benefits Supplementary Information – Schedule of Funding Progress

### Most Recent Actuarial Valuation

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<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability AAL (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as % of Covered Payroll ((b-a)/c)</u>
1/1/2010	\$ -	\$ 45,000	\$ 45,000	0.0%	\$ 474,000	9.50%

Note: Because fiscal year 2010 was the year of implementation of GASB Statement No. 45 and the Town elected to apply the statement prospectively, only one year is presented in the schedule at this time. In future years, required trend data will be presented as required valuations are performed.

# TOWN OF MELBOURNE BEACH, FLORIDA

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

General Fund

Year Ended September 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 1,480,779	\$ 1,479,476	\$ 1,481,528	\$ 2,052
Licenses and permits	290,500	319,762	319,764	2
Intergovernmental	305,800	271,716	271,718	2
Charges for services	10,200	5,740	6,690	950
Fines and forfeitures	15,000	16,954	16,954	-
Miscellaneous (including interest)	26,361	51,333	51,336	3
Total revenues	<u>2,128,640</u>	<u>2,144,981</u>	<u>2,147,990</u>	<u>3,009</u>
<b>Expenditures</b>				
General government:				
Legislative	97,229	90,627	90,617	10
Executive	125,523	144,274	144,266	8
Finance	72,656	109,224	109,216	8
Legal counsel	67,126	63,836	63,835	1
Comprehensive planning	31,300	22,744	22,744	-
General services	180,931	265,791	265,784	7
Total General Government	<u>574,765</u>	<u>696,496</u>	<u>696,462</u>	<u>34</u>
Physical Environment	276,750	283,918	283,910	8
Recreation	11,475	9,976	9,971	5
Public Safety:				
Law enforcement	932,443	919,433	919,415	18
Fire control	151,482	134,910	134,899	11
Protective services	66,656	57,096	57,088	8
Total Public Safety:	<u>1,150,581</u>	<u>1,111,439</u>	<u>1,111,402</u>	<u>37</u>
Total expenditures	<u>2,013,571</u>	<u>2,101,829</u>	<u>2,101,745</u>	<u>84</u>
<b>Excess of revenues over expenditures</b>	<u>115,069</u>	<u>43,152</u>	<u>46,245</u>	<u>3,093</u>
<b>Other financing sources (uses)</b>				
Transfers out	(127,000)	(152,415)	(152,414)	1
Net other financing sources (uses)	<u>(127,000)</u>	<u>(152,415)</u>	<u>(152,414)</u>	<u>1</u>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<u>(11,931)</u>	<u>(109,263)</u>	<u>(106,169)</u>	<u>3,094</u>
<b>Fund balances, beginning of year</b>	<u>1,301,055</u>	<u>1,301,055</u>	<u>1,301,055</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 1,289,124</u>	<u>\$ 1,191,792</u>	<u>\$ 1,194,886</u>	<u>\$ 3,094</u>

The accompanying notes to required supplementary information are an integral part of this financial statement. 48

# TOWN OF MELBOURNE BEACH, FLORIDA

Notes to Required Supplementary Information

September 30, 2011

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## A. Budgetary information

The Town of Melbourne Beach, Florida follows these procedures in establishing the budgetary data reflected in the required supplementary information:

- 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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**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

# TOWN OF MELBOURNE BEACH, FLORIDA

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 September 30, 2011

	Special Revenue		
	Law Enforcement Forfeiture	Law Enforcement Donations	Police Education Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,429	\$ 12,305	\$ 12,774
Total assets	<u>\$ 1,429</u>	<u>\$ 12,305</u>	<u>\$ 12,774</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 5,589	\$ -
Total liabilities	<u>-</u>	<u>5,589</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted for:			
Law enforcement	1,429	6,716	-
Law enforcement education	-	-	12,774
Stormwater utility	-	-	-
Old Town Hall	-	-	-
Total fund balances	<u>1,429</u>	<u>6,716</u>	<u>12,774</u>
Total liabilities and fund balances	<u>\$ 1,429</u>	<u>\$ 12,305</u>	<u>\$ 12,774</u>

<u>Special Revenue</u>		
<u>Old Town Hall</u>	<u>Stormwater Utility Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 11,139	\$ 79,404	\$ 117,051
<u>\$ 11,139</u>	<u>\$ 79,404</u>	<u>\$ 117,051</u>
\$ 45	\$ 143	\$ 5,777
<u>45</u>	<u>143</u>	<u>5,777</u>
-	-	8,145
-	-	12,774
-	79,261	79,261
11,094	-	11,094
<u>11,094</u>	<u>79,261</u>	<u>111,274</u>
\$ 11,139	\$ 79,404	\$ 117,051
<u>\$ 11,139</u>	<u>\$ 79,404</u>	<u>\$ 117,051</u>

# TOWN OF MELBOURNE BEACH, FLORIDA

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

Nonmajor Governmental Funds

September 30, 2011

	Special Revenue		
	Law Enforcement Forfeiture	Law Enforcement Donations	Police Education Fund
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	924
Miscellaneous	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>924</u>
<b>EXPENDITURES</b>			
Current:			
Public safety	-	12,193	120
Recreation	-	-	-
Physical environment	-	-	-
Total expenditures	<u>-</u>	<u>12,193</u>	<u>120</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>(12,193)</u>	<u>804</u>
<b>Net changes in fund balances</b>	-	(12,193)	804
<b>Fund balances, beginning of year</b>	<u>1,429</u>	<u>18,909</u>	<u>11,970</u>
<b>Fund balances, end of year</b>	<u><u>\$ 1,429</u></u>	<u><u>\$ 6,716</u></u>	<u><u>\$ 12,774</u></u>

<u>Special Revenue</u>		
<u>Old Town Hall</u>	<u>Stormwater Utility Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 54,425	\$ 54,425
-	-	924
887	-	887
<u>887</u>	<u>54,425</u>	<u>56,236</u>
-	-	12,313
155	-	155
-	48,359	48,359
<u>155</u>	<u>48,359</u>	<u>60,827</u>
<u>732</u>	<u>6,066</u>	<u>(4,591)</u>
732	6,066	(4,591)
10,362	73,195	115,865
<u>\$ 11,094</u>	<u>\$ 79,261</u>	<u>\$ 111,274</u>

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**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 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, 2011, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 27, 2012. 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**

Management of the Town of Melbourne Beach is responsible for establishing and maintaining effective 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified the following deficiency in internal control over financial reporting that we consider to be a material weakness:

IC 2011- 01 Segregation of Duties

Condition/ Criteria: General journal entries should be reviewed to ensure that they are accurate and valid.

Cause of Condition: During the fiscal year ending September 30, 2011, there were seven months where the Finance Director did not have anyone reviewing journal entries. We noted that there was proper support for the entries, but not review of the journal entries.

Effect of Condition: There were several journal entries that were reversed or revised after the third party consultant came in when they began reviewing the general ledger.

Recommendation: The Town currently is having the third party consultant review the journal entries that are entered by the Finance Director, and we recommend that this practice continue.

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

Management's Response: The Town currently is having the third party consultant review the journal entries that are entered by the Finance Director and we will continue this practice.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not note any control deficiencies that we consider to be a significant deficiency in internal control over financial reporting.

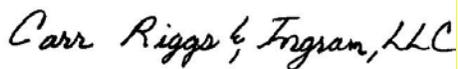
### **Compliance and Other Matters**

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 result of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, as follows:

We also noted certain matters that we reported to management of Town of Melbourne Beach in a separate letter dated January 27, 2011.

The Town of Melbourne Beach, Florida's responses to the findings identified in our audit are described above. We did not audit the Town of Melbourne Beach, Florida's responses and, accordingly, we express no opinion on them.

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.



**Carr Riggs & Ingram, LLC**  
Melbourne, Florida  
January 27, 2012

## 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, 2011, and have issued our report thereon dated January 27, 2012

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. We have issued our Independent Auditors’ Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in that report, which is dated January 27, 2012, 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’ report:

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

Internal Control Letter Comments

IC 2010-01	AP Cutoff	Cleared
IC 2010-02	Travel Expenditures	Revised and repeated below
IC 2010-03	Expenditures in Excess of Budget	Cleared
IC 2010-04	No Evidence of Bids	Cleared

- ❖ Section 10.554(1)(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 had the following recommendation:

IC 2011-02 Travel Expenditures

Condition/ Criteria: A traveler shall not receive per diem or be reimbursed for any meal included in a convention or conference registration fee.

Cause of Condition: We noted an individual received the breakfast per diem amount of \$34.50 although the conference registration included continental breakfast.

Effect of Condition: In one case we found the Town overpaid for travel expenses by providing per diem when breakfast was included in the conference registration fee.

Recommendation: The Town should not approve payment for per diem if a meal is provided as part of the conference registration.

Management's Response: This was an inadvertent one time occurrence. In the future, the Finance Director will ensure the Town will not approve payment for per diem when a meal is provided as part of the conference registration.

- ❖ Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of 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 have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we noted no deficiencies.
- ❖ 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.
- ❖ Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental 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, 2011, 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, 2011. In connection with our audit, we determined that these two reports were in agreement.
- ❖ Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Town of Melbourne Beach, Florida'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

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, the Town of Melbourne Beach, Florida's Town Commission, 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.

*Carr Riggs & Ingram, LLC*

**Carr, Riggs & Ingram, LLC**  
Melbourne, Florida  
January 27, 2012