

**TOWN OF MALABAR, FLORIDA  
FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**



**TOWN COUNCIL**

*Patrick Reilly, Mayor*

*Grant Ball*

*Brian Vail*

*Steve Rivet*

*Dick Korn*

*Danny White*

**TOWN ADMINISTRATOR**

*Matthew Stinnett*

**TOWN CLERK / TREASURER**

*Debby Franklin*

**TOWN OF MALABAR, FLORIDA  
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SEPTEMBER 30, 2018**

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## **INDEPENDENT AUDITORS' REPORT**

To the Honorable Mayor, Town Council, and Town Administrator,  
Town of Malabar, Florida:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and general fund of the Town of Malabar, Florida, (the Town), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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 from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the General Fund and governmental activities.

- 1 -

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### ***Basis for Qualified Opinion on Governmental Activities***

The Town has not acquired an actuarial valuation to determine the amount of its total OPEB (Other Postemployment Benefits) liability and has not presented such liability in its government-wide financial statements as required by accounting principles generally accepted in the United States of America. The impact of such departure from generally accepted accounting principles on the liabilities, net position and expenses of the governmental activities of the Town is unknown. Such departure has no impact on the Town's fund financial statements

### ***Qualified Opinion on Governmental Activities***

In our opinion, except for the effects, if any, of the matter described in the Basis for Qualified Opinion paragraph on the governmental activities, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund and governmental activities of the Town of Malabar, Florida as of September 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Unmodified Opinion on General Fund***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of General Fund for the Town, as of September 30, 2018, and the respective changes in financial position and budgetary comparison information for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

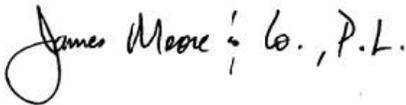
#### ***Required Supplementary Information***

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

Management has omitted the schedule of changes in the Town's total OPEB liability and related ratios that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2019, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

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

Daytona Beach, Florida  
June 17, 2019

## **Town of Malabar, Florida Management's Discussion and Analysis**

As management of the Town of Malabar (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, 2018.

### **Financial Highlights**

- The assets of the Town of Malabar exceeded its liabilities at the close of the 2018 fiscal year by \$3,244,017 (net position). Of this amount, \$2,778,853 is net investment in capital assets while restricted net position is \$45,336. \$419,828 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The total net position decreased \$218,484 from the previous year.
- As of the close of fiscal year 2018, the Town's general fund reported an ending fund balance of \$1,178,108, a decrease of \$26,629 in comparison with the prior year. While \$45,336 represents the portion restricted by outside parties and \$61,891 is assigned for subsequent year expenditures, \$1,070,189 of the governmental funds balance is available for spending at the government's discretion (unassigned fund balance). An additional \$692 of governmental fund balance is non-spendable for current obligations.
- At the end of the 2018 fiscal year, unassigned fund balance for the general fund was \$1,070,189 or 39.8% of total general fund expenditures.
- The Town's total long term liabilities increased by \$747,088 during the 2018 fiscal year. This reflects the leasing of additional equipment.

### **Overview of the Financial Statements**

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

#### Government-wide financial statements

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

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

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

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The governmental activities of the Town include general government, public safety, physical environment, and recreation. The government-wide financial statements can be found on pages 9-10 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. The Town's only fund is the General Fund (a governmental fund).

### 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 maintained one individual governmental fund subsequent to the transfer of the stormwater fund into the general fund on October 1, 2013. Information is presented in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the general fund.

The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 11-15 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 16-30 of this report.

### Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees. Required supplementary information can be found on pages 31-32 of this report.

## Government-wide Financial Analysis

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

### TOWN OF MALABAR, FLORIDA'S NET POSITION

	<u>Governmental Activities</u>		<u>\$</u>	<u>%</u>
	<u>September 30,</u>			
	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>Change</u>
<b>ASSETS</b>				
Current	\$ 1,349,584	1,571,274	\$ (221,690)	-14.1%
Capital assets, net	3,488,525	2,838,447	650,078	22.9%
Total assets	<u>4,838,109</u>	<u>4,409,721</u>	<u>428,388</u>	<u>8.8%</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	<u>488,544</u>	<u>535,345</u>	<u>(46,801)</u>	<u>-8.7%</u>
<b>LIABILITIES</b>				
Current liabilities	184,451	366,538	(182,087)	-49.7%
Long-term liabilities	1,782,168	1,035,080	747,088	72.2%
Total liabilities	<u>1,966,619</u>	<u>1,401,618</u>	<u>565,001</u>	<u>22.5%</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	<u>116,017</u>	<u>80,948</u>	<u>35,069</u>	<u>43.3%</u>
<b>NET POSITION</b>				
Net investment in capital assets	2,778,853	2,838,447	(59,594)	-2.1%
Restricted	45,336	51,623	(6,287)	-12.2%
Unrestricted	419,828	572,430	(152,602)	-26.7%
Total net position	<u>\$ 3,244,017</u>	<u>\$ 3,462,500</u>	<u>\$ (218,483)</u>	<u>-40.9%</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities and deferred inflows by \$3,244,017 at the close of the 2018 fiscal year. The largest portion of the Town's net position (\$2,778,853 or 85.7%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure and improvements), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Of the remaining net position, \$45,336 represents resources that are subject to external restrictions on how they may be used. The remaining balance of the net position which represents amounts available to meet the Town's ongoing obligations to citizens and creditors at the discretion of the Commission is \$419,828 for the 2018 fiscal year.

At the end of the current fiscal year, the Town is able to report positive balances in the three categories of net position for the government as a whole.

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

**TOWN OF MALABAR, FLORIDA  
CHANGES IN NET POSITION**

	<u>Governmental Activities</u>		<u>\$</u> <u>Change</u>	<u>%</u> <u>Change</u>
	<u>September 30,</u> <u>2018</u>	<u>2017</u>		
Revenues				
Program revenues				
Charges for services	\$ 281,330	\$ 257,714	\$ 23,616	9.2%
Operating grants	1,888	11,465	(9,577)	-83.5%
Capital grants	117,762	81,536	36,226	44.4%
General revenues				
Ad valorem taxes	459,345	411,908	47,437	11.5%
Sales and use taxes	402,242	400,628	1,614	0.4%
Franchise fees	245,151	242,053	3,098	1.3%
Public service taxes	100,744	91,793	8,951	9.8%
Insurance premium taxes	176,177	163,982	12,195	7.4%
Intergovernmental	91,523	86,964	4,559	5.2%
Investment earnings (loss)	5,582	1,991	3,591	180.4%
Miscellaneous revenues	20,882	21,435	(553)	-2.6%
Total revenues	<u>1,902,626</u>	<u>1,771,469</u>	<u>131,157</u>	<u>183.5%</u>
Expenses				
General government	609,413	578,584	30,829	5.3%
Public safety	711,901	638,502	73,399	11.5%
Physical environment	717,168	639,736	77,432	12.1%
Culture and recreation	67,206	58,929	8,277	14.0%
Interest on long-term debt	15,422	-	15,422	0.0%
Total expenses	<u>2,121,110</u>	<u>1,915,751</u>	<u>205,359</u>	<u>43.0%</u>
Decrease in net position	<u>(218,484)</u>	<u>(144,282)</u>	<u>(74,202)</u>	<u>51.4%</u>
Net position, beginning of year	3,462,501	3,606,783	(144,282)	-4.0%
Net position, end of year	<u>\$ 3,244,017</u>	<u>\$ 3,462,501</u>	<u>\$ (218,484)</u>	<u>-6.3%</u>

**Governmental activities**

Governmental activities decreased the Town's net position by \$218,484. This amount is primarily attributable to increases in public safety expenses.

- The Town's total revenues related to governmental activities increased by \$131,157 from the prior year. Factors that contributed to an increase in revenues are an increase in property taxes of \$47,437 and a \$23,616 increase in charges for services, primarily related to building permit activity.
- Expenses related to governmental activities increased by \$205,359 from the prior year. This is related to an increase in public safety of \$73,399 and an increase in physical environment expenses of \$77,432.

**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, the Town's governmental funds reported an ending fund balance of \$1,178,108, a decrease of \$26,629 in comparison with the prior year.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,070,189. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents approximately 40% of total general fund expenditures.

### **General Fund Budgetary Highlights**

The following information is presented to assist the reader in comparing actual results with budgetary amounts.

General fund revenues were \$110,350 less than budgeted amounts (due to less charges for services revenues) and expenditures were \$673,200 more than budgeted amounts (due to increased physical environment and fire control expenditures). The excess expenditures were covered with financing approved by Council for capital leases to include a new fire truck and excavator.

Budgetary comparisons between the final budget and actual results can be found on page 15 of this report.

### **Capital Asset and Debt Administration**

**Capital assets.** The Town of Malabar, Florida's investment in capital assets for its governmental activities as of September 30, 2018, amounts to \$3,488,525 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities and roads.

Additional information on the Town's capital assets can be found in Note 6 on page 23 of this report.

### **Long-term Debt**

The following items comprise the Town's long-term debt (excluding the net pension liability) as of September 30, 2018:

#### **Town of Malabar, Florida's Outstanding Debt**

Capital leases	\$ 709,672
Compensated absences	97,514
Total	<u>\$ 807,186</u>

The Town's long-term liabilities increased by \$747,088 during the current fiscal year. This increase was attributable to increases in the net pension liability and new capital leasing agreements.

Additional information on the Town's long-term liabilities can be found in Notes 7 and 8 on pages 23-24 of this report.

### **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 Matthew Stinnett, Town Administrator, Town of Malabar, Florida.

**TOWN OF MALABAR, FLORIDA**  
**STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES**  
**SEPTEMBER 30, 2018**

<b>ASSETS</b>	
Cash and cash equivalents	\$ 318,663
Investments	898,061
Receivables, net	75,043
Due from other governments	57,125
Prepays	692
Capital assets:	
Non-depreciable capital assets	1,886,781
Other capital assets, net of accumulated depreciation	1,601,744
Total assets	<u>\$ 4,838,109</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	<u>\$ 488,544</u>
 <b>LIABILITIES</b>	
Accounts payable	\$ 47,719
Accrued payroll and employee benefits	23,508
Unearned revenue	100,249
Accrued interest payable	12,975
Noncurrent liabilities:	
Due within one year:	
Capital leases	73,935
Compensated absences	48,757
Due in more than one year:	
Capital leases	635,737
Compensated absences	48,757
Net pension liability	974,982
Total liabilities	<u>\$ 1,966,619</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	<u>\$ 116,017</u>
 <b>NET POSITION</b>	
Net investment in capital assets	\$ 2,778,853
Restricted for:	
Building department	45,336
Unrestricted	419,828
Total net position	<u>\$ 3,244,017</u>

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

**TOWN OF MALABAR, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
General government	\$ 609,413	\$ 181,349	\$ -	\$ -	\$ (428,064)
Public safety	711,901	-	900	17,762	(693,239)
Physical environment	717,168	99,981	988	100,000	(516,199)
Culture and recreation	67,206	-	-	-	(67,206)
Interest on long-term debt	15,422	-	-	-	(15,422)
Total governmental activities	<u>\$ 2,121,110</u>	<u>\$ 281,330</u>	<u>\$ 1,888</u>	<u>\$ 117,762</u>	<u>(1,720,130)</u>
General revenues:					
Property taxes					459,345
Sales and use taxes					402,242
Franchise and utility taxes					245,151
Public service taxes					100,744
Insurance premium taxes					176,177
Intergovernmental shared revenue - non-program					91,523
Investment earnings (loss)					5,582
Miscellaneous revenues					20,882
Total general revenues and transfers					<u>1,501,646</u>
Change in net position					(218,484)
Net position - beginning					3,462,501
Net position - ending					<u>\$ 3,244,017</u>

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

**TOWN OF MALABAR, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018**

	<b>General Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 318,663
Investments	898,061
Receivables, net	75,043
Due from other governments	57,125
Prepaid items	692
Total assets	\$ 1,349,584
<b>LIABILITIES</b>	
Accounts payable	\$ 47,719
Accrued liabilities	23,508
Unearned revenues	100,249
Total liabilities	171,476
<b>FUND BALANCES</b>	
Nonspendable:	
Prepaid items	692
Restricted:	
Building department	45,336
Assigned:	
Subsequent year's budget	61,891
Unassigned	1,070,189
Total fund balances	1,178,108
<b>Total liabilities and fund balances</b>	<b>\$ 1,349,584</b>

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

**TOWN OF MALABAR, FLORIDA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2018**

**Fund balances - total governmental funds** \$ 1,178,108

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

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

Total governmental capital assets	6,723,264	
Less: accumulated depreciation	(3,234,739)	3,488,525

On the governmental fund statements, a net pension liability is not recorded until an amount is due and payable and the pension plan's fiduciary net position is not sufficient for payment of those benefits (no such liability exists at the end of the current fiscal year). On the Statement of Net Position, the Town's net pension liability of the defined benefit pension plans is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to pensions are also reported.

Net pension liability	(974,982)	
Deferred outflows related to pensions	488,544	
Deferred inflows related to pensions	(116,017)	(602,455)

Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities and other long-term liabilities consist of the following:

Capital leases payable	(709,672)	
Accrued interest payable	(12,975)	
Compensated absences	(97,514)	(820,161)

**Net position of governmental activities** \$ 3,244,017

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

**TOWN OF MALABAR, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>General Fund</u>
<b>Revenues</b>	
Taxes and fees:	
Ad valorem taxes	\$ 459,345
Utility taxes	304,726
Franchise fees	245,151
Public service taxes	100,744
Sales and uses taxes	273,693
Licenses and permits	147,694
Charges for services	99,981
Intergovernmental	110,273
Investment income	5,582
Impact fees	113,479
Miscellaneous	41,958
Total revenues	<u>1,902,626</u>
<b>Expenditures</b>	
Current:	
General government	469,323
Public safety	604,035
Physical environment	578,033
Culture and recreation	79,768
Capital outlay	905,321
Debt service	
Principal	47,249
Interest and fiscal charges	2,447
Total expenditures	<u>2,686,176</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(783,550)</u>
<b>Other financing sources (uses)</b>	
Issuance of debt	756,921
<b>Net change in fund balances</b>	<u>(26,629)</u>
<b>Fund balances, beginning of year</b>	1,204,737
<b>Fund balances, end of year</b>	<u><u>\$ 1,178,108</u></u>

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

**TOWN OF MALABAR, FLORIDA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

<b>Net change in fund balances - total governmental funds</b>	\$ (26,629)
Differences in amounts reported for governmental activities in the statement of activities are:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.	
Capital outlay expenditures	905,321
Depreciation expense	(255,243)
Bond and loan proceeds are reported as financing sources in the governmental funds. However, the issuance of debt is reported as long-term debt payable in the statement of net position. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment of debt principal reduces long-term liabilities in the statement of net position. These amounts are as follows:	
Proceeds from issuance of long-term debt	(756,921)
Principal repayment of general long-term debt	47,249
Governmental funds report contributions to defined benefit pension plans as expenditures. However, in the Statement of Activities, the amount contributed to defined benefit pension plans reduces future net pension liability. Also included in pension expense in the Statement of Activities are amounts required to be amortized.	
Change in net pension liability and deferred inflows/outflows related to pensions	(104,809)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. These adjustments are as follows:	
Change in accrued interest on long-term debt	(12,975)
Change in compensated absences liability	(14,477)
<b>Change in net position of governmental activities</b>	<b>\$ (218,484)</b>

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

**TOWN OF MALABAR, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget - Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 1,335,425	\$ 1,335,425	\$ 1,383,659	\$ 48,234
Licenses and permits	111,800	111,800	147,694	35,894
Intergovernmental	113,939	113,939	110,273	(3,666)
Charges for services	253,860	253,860	99,981	(153,879)
Impact fees	6,985	106,985	113,479	6,494
Interest revenues	2,500	2,500	5,582	3,082
Miscellaneous	55,544	88,467	41,958	(46,509)
Total revenues	<u>1,880,053</u>	<u>2,012,976</u>	<u>1,902,626</u>	<u>(110,350)</u>
<b>Expenditures</b>				
Current:				
General Government:				
Legislative	14,800	14,800	18,025	(3,225)
Executive	61,118	61,118	62,349	(1,231)
Finance	218,228	218,228	205,762	12,466
Legal	40,000	40,000	51,266	(11,266)
Comprehensive planning	11,000	11,000	2,913	8,087
Contingency and other	98,700	98,700	129,008	(30,308)
Public Safety:				
Fire	532,840	541,340	965,204	(423,864)
Protective services	88,111	88,111	79,090	9,021
Parks and recreation	73,411	73,411	79,768	(6,357)
Physical environment	691,867	816,290	1,043,095	(226,805)
Debt Service:				
Principal	49,978	49,978	47,249	2,729
Interest and fiscal charges	-	-	2,447	(2,447)
Total expenditures	<u>1,880,053</u>	<u>2,012,976</u>	<u>2,686,176</u>	<u>(673,200)</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>(783,550)</u>	<u>(783,550)</u>
<b>Other financing sources (uses)</b>				
Issuance of debt	-	-	756,921	756,921
<b>Net change in fund balances</b>	<u>-</u>	<u>-</u>	<u>(26,629)</u>	<u>(26,629)</u>
<b>Fund balances, beginning of year</b>	1,204,737	1,204,737	1,204,737	-
<b>Fund balances, end of year</b>	<u>\$ 1,204,737</u>	<u>\$ 1,204,737</u>	<u>\$ 1,178,108</u>	<u>\$ (26,629)</u>

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

**TOWN OF MALABAR, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

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

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

(a) **Reporting entity**—The Town of Malabar, Florida (the Town) was incorporated on December 19, 1962, under general law by referendum of voters on December 1, 1962, following Chapter 29576 of the laws of Florida. The Town operates under a strong council form of government and provides the following services as authorized by its charter: public safety, roads and streets, sanitation, health and social services, culture, recreation, stormwater, improvements, planning and zoning, and general administrative services.

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

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

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

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

**TOWN OF MALABAR, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

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

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

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

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

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

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

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

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

The Town reports the following major governmental fund:

The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government as well as the proceeds received in non-ad valorem collection for stormwater maintenance.

**TOWN OF MALABAR, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

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

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

- i. Prior to August 1st, the Town Administrator submits a preliminary budget to the Town Council for the ensuing fiscal year.
- ii. Public hearings are held to obtain taxpayer comments.
- iii. Budget workshop sessions are scheduled by the Town Council, as needed.
- iv. A general summary of the budget and notice of public hearing is published in a local newspaper.
- v. Prior to October 1<sup>st</sup>, the budget is legally enacted through passage of an ordinance.
- vi. The Town Council, by ordinance, may make supplemental appropriations in excess of those estimated for the year up to the amount of available revenue. Prior to the end of the fiscal year, supplemental appropriations are made for unanticipated spending requirements by the Council.
- vii. The Town Administrator 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 Council. The Town's Ordinance establishes the level at which expenditures may not exceed appropriations at the fund level.
- viii. Every appropriation lapses at the close of the fiscal year.

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

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

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

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

(h) **Receivables**—Management has determined that no allowance for doubtful accounts is required for the general fund receivables or amounts due from other governments.

**TOWN OF MALABAR, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

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

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

Capital assets are defined by the Town as assets with an initial individual cost of \$1,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost, if purchased or constructed. Contributed assets, including donations and easements or other intangible rights of use, are recorded at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are only capitalized if they meet the dollar threshold above for capitalization. Maintenance and repairs of capital assets are charged to operating expenses.

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

Assets	Years
Buildings and improvements	5 – 39 years
Machinery and equipment	5 – 15 years
Infrastructure	7 – 20 years

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

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

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

**TOWN OF MALABAR, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

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

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

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

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

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

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

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

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

(m) **Net position flow assumption**—Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to determine amounts reported as restricted and unrestricted net position, it is the Town’s policy to consider restricted net position to have been used before unrestricted net position is applied.

**TOWN OF MALABAR, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

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

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

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

(3) **Property Tax Calendar:**

Under Florida law, the assessment of all properties and collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser. State laws regulating tax assessment are designed to ensure a consistent property valuation method statewide and permit municipalities to levy property taxes at a rate of up to 10 mills. For the fiscal year ended September 30, 2018, the millage rate assessed by the Town was 2.0906 per \$1,000.

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

The current year taxes for the fiscal year, beginning October 1, are billed in the month of October and are due no later than March 31. On April 1, all unpaid amounts become delinquent and are subject to interest and penalties. A maximum discount is available through November 30.

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

Valuation Date:	January 1, 2017
Preliminary Tax Roll Date:	July 1, 2017
Council Tax Rate Hearings:	September 2017
Levy Date:	October 1, 2017
Due Date:	March 31, 2018
Lien Date:	June 1, 2018

**TOWN OF MALABAR, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

(4) **Deposits and Investments:**

(a) **Deposits**—All of the Town’s deposits are held in qualified public depositories pursuant to Chapter 280, Florida Statutes and, accordingly, are entirely insured by Federal Depository Insurance or collateralized pursuant to the *Florida Security for Public Deposits Act*.

(b) **Investments**—The general investments are governed by the Town’s Investment Policy and by Florida Statutes. The Town’s investment policy authorizes investments in the Florida Local Government Surplus Funds Trust Fund, Securities and Exchange Commission registered money market funds, interest-bearing time deposits or savings accounts in qualified public depositories, direct obligations of the U.S. Treasury, federal agencies and instrumentalities, securities in registered management-type investment companies or investment trusts, and other investments authorized by law or ordinance for a county, municipality, school district, or special district.

The Town invests temporarily idle resources in mutual funds and the Local Government Investment Pool (State Pool). The State Pool is administered by the Florida State Board of Administration (SBA), who provides regulatory oversight.

Florida Prime Investment Pool (Florida PRIME) is similar to money market funds in which units are owned in the fund rather than the underlying investments. These investments are reported at amortized cost and meet the requirements of GASB Statement No. 31, as amended by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, which establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. There is no limitation or restrictions on withdrawals from Florida PRIME; although in the occurrence of an event that has a material impact on liquidity or operations of the trust fund, the funds’ executive director may limit contributions to or withdrawals from the trust fund for a period of 48 hours.

The Town is exposed to the following risks associated with its non-pension investment portfolio:

**Credit risk**—The risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investment in state or local government debt must be rated at least AA by Moody’s or Standard & Poor’s.

**Interest rate risk**—The risk that changes in interest rates will adversely affect the fair value of an investment. The Town limits its investments to maturities of less than five years.

The Town’s investment policy does not formally address the risks noted above.

The Town’s investments consisted of the following at September 30, 2018:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>	<u>Credit Risk</u>
Florida PRIME	\$ 143,290	72 days	AAAm (S&P)

(5) **Accounts Receivable:**

The Town’s receivables consists \$75,043 at September 30, 2018, all of which was included in the general fund and governmental activities. In addition to accounts receivable, the Town also recorded \$57,125 in due from other governments at September 30, 2018. There was no allowance for doubtful accounts at September 30, 2018.

**TOWN OF MALABAR, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

(6) **Capital Assets:**

Capital asset activity for the fiscal year ended September 30, 2018, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated –				
Land	\$ 1,886,781	\$ -	\$ -	\$ 1,886,781
Total capital assets, not being depreciated	<u>1,886,781</u>	<u>-</u>	<u>-</u>	<u>1,886,781</u>
Capital assets, being depreciated –				
Buildings and improvements	920,784	-	-	920,784
Equipment	2,139,958	905,321	-	3,045,279
Infrastructure	870,420	-	-	870,420
Total capital assets, being depreciated	<u>3,931,162</u>	<u>905,321</u>	<u>-</u>	<u>4,836,483</u>
Less: accumulated depreciation	<u>(2,979,496)</u>	<u>(905,321)</u>	<u>-</u>	<u>(3,234,739)</u>
Total capital assets, being depreciated, net	<u>951,666</u>	<u>650,078</u>	<u>-</u>	<u>1,601,744</u>
Governmental activities capital assets, net	<u>\$ 2,838,447</u>	<u>\$ 650,078</u>	<u>\$ -</u>	<u>\$ 3,488,525</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 74,983
Public safety	107,866
Cultural and recreational	13,027
Physical environment	59,367
Total depreciation expense - governmental activities	<u>\$ 255,243</u>

(7) **Leases:**

**Operating Leases** - The Town entered into an agreement with a third party on January 16, 2006, to lease a parcel of land for a cellular phone tower. The lease term is five years and the base rental payment is \$1,587 per month for the first carrier with an increase of \$200 per month for each non-governmental user of the cellular phone tower. The lease is renewable for five successive terms of five years each. The current term was set to expire in 2021. The base rent can be increased by 15% on each five-year anniversary of the lease. However, the lease was terminated in March 2019 when the cellular phone tower was sold. For the year ended September 30, 2018, the Town received \$23,994 in rental income under this agreement. The amount of minimum rentals to be received is as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2019	\$ 10,722

**TOWN OF MALABAR, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

(7) **Leases:** (Continued)

**Capital Leases** - The Town has lease agreements for financing the acquisition of a rescue vehicles and excavator equipment. These 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 dates.

The assets acquired through capital leases are as follows:

	<b><u>Governmental Activities</u></b>
Assets -	
Equipment	\$ 440,259
Vehicles	316,662
Less: accumulated depreciation	(75,692)
Total	\$ 681,229

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2018 were as follows:

<b><u>Year Ending September 30</u></b>	<b><u>Governmental Activities</u></b>
2019	\$ 86,910
2020	86,910
2021	86,910
2022	86,910
2023	86,910
Thereafter	384,854
Total minimum lease payments	819,404
Less: amount representing interest	(109,732)
	\$ 709,672

(8) **Long-Term Debt:**

The Town had no notes and bonds payable at September 30, 2018.

For the fiscal year ended September 30, 2018, a summary of the long-term liability transactions for the Town is as follows:

	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Ending Balance</u></b>	<b><u>Due Within One Year</u></b>
<b>Governmental activities:</b>					
Capital leases	\$ -	\$ 756,921	\$ (47,249)	\$ 709,672	\$ 73,935
Compensated absences	83,037	46,010	(31,533)	97,514	48,757
Governmental activities –					
Total long-term liabilities	\$ 83,037	\$ 802,931	\$ (78,782)	\$ 807,186	\$ 122,692

**TOWN OF MALABAR, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

(9) **Florida Retirement System:**

**Plan Description and Administration**

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

In addition, all regular employees of the Town are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended September 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

**Benefits Provided and Employees Covered**

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

**TOWN OF MALABAR, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

(9) **Florida Retirement System:** (Continued)

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

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

**Financial Statements**

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

Florida Department of Management Services  
 Division of Retirement, Research and Education Services  
 P.O. Box 9000  
 Tallahassee, FL 32315-9000

**Contributions**

Employers may participate in certain classes of FRS membership. The employee contribution rate for eligible employees are 3.0%. Each class has descriptions and employer contribution rates in effect during the fiscal year ended September 30, 2018, as follows (contribution rates are in agreement with the actuarially determined rates):

FRS Membership Plan & Class	Through June 30, 2018	After June 30, 2018
Regular Class	7.92%	8.26%

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

Actual contributions made for Town employees were as follows:

Town Contributions – FRS	\$ 75,267
Town Contributions – HIS	9,211
Employee Contributions – FRS	16,646

**TOWN OF MALABAR, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

(9) **Florida Retirement System:** (Continued)

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

At September 30, 2018, the entity reported a net pension liability related to FRS and HIS as follows:

<u>Plan</u>	<u>Net Pension Liability</u>
FRS	\$ 795,486
HIS	179,762
Total	<u>\$ 975,248</u>

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer proportion of the net pension liability was based on a projection of the organization's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2018 and June 30, 2017, the organization's proportionate share of the FRS and HIS net pension liabilities were as follows:

<u>Plan</u>	<u>2018</u>	<u>2017</u>
FRS	0.002641012%	0.002617995%
HIS	0.001698412%	0.001661526%

For the plan year ended June 30, 2018, pension expense was recognized related to the FRS and HIS plans as follows:

FRS	\$ 172,688
HIS	16,501
Total	<u>\$ 189,189</u>

*Deferred outflows/inflows related to pensions:*

At September 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>FRS</u>		<u>HIS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 67,390	\$ (2,446)	\$ 2,752	\$ (305)
Changes of assumptions	259,926	-	19,992	(19,006)
Net difference between projected and actual investment earnings	-	(61,461)	109	-
Change in Town's proportionate share	97,426	(20,090)	21,605	(12,709)
Contributions subsequent to measurement date	17,326	-	2,117	-
	<u>\$ 442,068</u>	<u>\$ (49,480)</u>	<u>\$ 46,575</u>	<u>\$ (32,020)</u>

**TOWN OF MALABAR, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

(9) **Florida Retirement System:** (Continued)

The above amounts for deferred outflows of resources for contributions related to pensions resulting from Town contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

2019	\$	130,859
2020		81,119
2021		16,977
2022		51,643
2023		29,695
Thereafter		42,890
Total	\$	<u>353,183</u>

*Actuarial assumptions:*

The Actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 7.00%. This rate decreased from the prior year rate, which was 7.10%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.87% was used to determine the total pension for the program. This rate increased from the prior year rate, which was 3.58%. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

*Long-term expected rate of return:*

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2016, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

**TOWN OF MALABAR, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

(9) **Florida Retirement System:** (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Cash	1.0%	2.9%
Fixed income	18.0%	4.4%
Global equities	54.0%	7.6%
Real estate	11.0%	6.6%
Private equity	10.0%	10.7%
Strategic investments	6.0%	6.0%
Total	<u>100.0%</u>	

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

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

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
FRS	7.00%	\$ 1,451,796	\$ 795,486	\$ 250,382
HIS	3.87%	204,738	179,762	158,943

(10) **Risk Management:**

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

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

(11) **Commitments and Contingencies:**

The Town is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2018. The outcomes of established claims are included in these financial statements. In the opinion of the Town's legal counsel, no legal proceedings are pending or threatened against the Town which are not covered by applicable insurance which would inhibit its ability to perform its operations or materially affect its financial condition.

**TOWN OF MALABAR, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

(12) **Recent Accounting Pronouncements:**

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

- (a) GASB issued Statement No. 84, *Fiduciary Activities*, in January 2017. GASB 84 improves guidance regarding the identification and reporting of fiduciary activities. The provisions in GASB 84 are effective for periods beginning after December 15, 2018.
- (b) GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in GASB 87 are effective for periods beginning after December 15, 2019.
- (c) GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, in April 2018. GASB 88 expands debt disclosure requirements related to direct borrowings and direct placements, while also clarifying which liabilities should be included when disclosing information related to debt. The provisions in GASB 88 are effective for periods beginning after June 15, 2018.
- (d) GASB issued Statement No. 90, *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61*, in August 2018. GASB 90 improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The provisions in GASB 90 are effective for periods beginning after December 15, 2018.

**TOWN OF MALABAR, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY – FRS/HIS**  
**SEPTEMBER 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Florida Retirement System (FRS)</b>				
Proportion of the net pension liability (NPL)	0.002641012%	0.002617995%	0.002281738%	0.00255021%
Proportionate share of the NPL	\$ 795,486	\$ 774,385	\$ 576,141	\$ 329,394
Covered payroll	554,851	536,553	484,990	601,618
Proportionate share of the NPL as percentage of covered payroll	143.37%	144.33%	118.79%	54.75%
Plan fiduciary net position as a percentage of the NPL	84.26%	83.89%	84.88%	92.00%
<b>Health Insurance Subsidy Program (HIS)</b>				
Proportion of the net pension liability (NPL)	0.001698412%	0.00161526%	0.001583577%	0.001815594%
Proportionate share of the NPL	\$ 179,762	\$ 177,658	\$ 184,559	\$ 185,162
Covered payroll	554,851	536,553	484,990	601,618
Proportionate share of the NPL as percentage of covered payroll	32.40%	33.11%	38.05%	30.78%
Plan fiduciary net position as a percentage of the NPL	2.15%	1.64%	0.97%	0.50%

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

**TOWN OF MALABAR, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS – FRS/HIS  
SEPTEMBER 30, 2018**

<b>For the Plan Year ended June 30,</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Florida Retirement System (FRS)</b>				
Contractually required contribution	\$ 75,267	\$ 68,153	\$ 55,644	\$ 62,176
Contributions in relation to contractually required contribution	<u>75,267</u>	<u>68,153</u>	<u>55,644</u>	<u>62,176</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 554,851	\$ 536,553	\$ 484,990	\$ 601,618
Contributions as percentage of covered payroll	13.57%	13.58%	11.61%	10.33%
<b>Health Insurance Subsidy Program (HIS)</b>				
Contractually required contribution	\$ 9,211	\$ 8,793	\$ 8,117	\$ 6,940
Contributions in relation to contractually required contribution	<u>9,211</u>	<u>8,793</u>	<u>8,117</u>	<u>6,940</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 554,851	\$ 536,553	\$ 484,990	\$ 601,618
Contributions as percentage of covered payroll	1.66%	1.66%	1.61%	1.15%

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

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

To the Honorable Mayor, Town Council, and Town Administrator,  
Town of Malabar, Florida:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Town of Malabar, Florida, (the Town) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 17, 2019.

***Internal Control over Financial Reporting***

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

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

Our consideration of internal control 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described on the following page as item 2018-001, that we consider to a significant deficiency.

## **2018-001 Capital Lease Adjustments**

We noted the Town obtained equipment through two capital leases during the year but did not record the proceeds of approximately \$757,000 from such leases and related expenditure for the capital assets. While the leases and subsequent purchase of the equipment were properly approved by Town Council, entries should have been made as part of the year-end capital asset true up and reconciliation for financial statement purposes to record these items..

### ***Compliance and Other Matters***

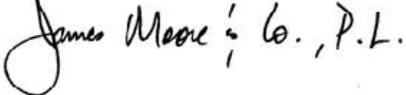
As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

### **Town of Malabar, Florida's Response to Findings**

The Town's responses to the findings identified in our audit are described starting on page 38. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

James Moore & Co., P.L.

Daytona Beach, Florida  
June 17, 2019

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

To the Honorable Mayor, Town Council, and Town Administrator,  
Town of Malabar, Florida:

**Report on the Financial Statements**

We have audited the financial statements of the Town of Malabar, Florida, as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated June 17, 2019.

**Auditors' Responsibility**

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

**Other Reporting Requirements**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 17, 2019, should be considered in conjunction with this management letter.

**Prior Audit Findings**

Section 10.554(1)(i)1., Rules of the Auditor General, requires us to determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. No findings exist from the second preceding audit report. The following is a summary of all findings and recommendations reported in our preceding annual financial audit report:

**2017-001 Prior Period Restatement and Other Adjustments** – Corrective action taken.

**2017-002 Expenditures in Excess of Appropriations** – Corrective action not taken. See repeat comment 2017-002.

**2017-003 Other Post-Employment Benefits** – Corrective action taken.

## **Official Title and Legal Authority**

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

## **Financial Condition and Management**

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

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

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

### **2018-002– Expenditures in Excess of Appropriations (Repeat Comment)**

We noted the Town's general fund had expenditures in excess of the approved budget due to the audit adjustments related to capital leases identified in comment 2018-001. While the transactions were properly approved by the Town Council, we recommend budget amendments also be made to reflect any similar transactions in the future to formally establish the budgetary authority for capital expenditures made via lease arrangements.

## **Additional Matters**

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

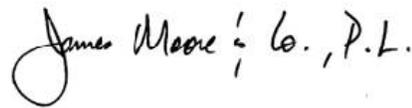
## **Town of Malabar, Florida's Response to Findings**

The Town's responses to the findings identified in our audit are described starting on page 38. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Letter**

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

Daytona Beach, Florida  
June 17, 2019



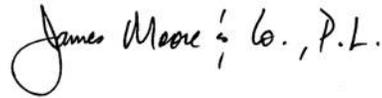
## INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

To the Honorable Mayor, Town Council, and Town Administrator,  
Town of Malabar, Florida

We have examined the Town of Malabar, Florida's (the Town) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2018. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town complied with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2018, in all material respects. An examination involves performing procedures to obtain evidence about the Town's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance with those requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Town of Malabar, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.



Daytona Beach, Florida  
June 17, 2019

AUDITEE'S RESPONSE TO:  
Independent Auditors' Management Letter  
June 17, 2019

The Independent Auditors' Management Letter provided comments and recommendations for improved financial management accounting procedures. The following is Management's responses. The Auditors' comment numbers and descriptions are included as reference.

**2018-001 Capital Lease Adjustments**

The Town understands the auditor's finding and will take into consideration the auditors suggestions, identify and implement changes to internal controls to avoid any misstatement in the future.

**2018-002 Expenditures in Excess of Appropriation**

The Town understands the Auditor's finding. Corrective action will be taken by implementing the Auditor's recommendation to complete budget amendments to reflect similar transactions in the future and formally establish the budgetary authority for capital expenditures made via lease arrangements.