

Town of Malone, Florida

ANNUAL FINANCIAL REPORT

September 30, 2019

TOWN OF MALONE, FLORIDA

AS OF September 30, 2019

MAYOR

Gene P. Wright

COUNCIL MEMBERS AS OF September 30, 2019

Brenda Welch
Sallie Gibson
Greg Ford
Victoria Garrett
Kenneth Campbell

TOWN CLERK

Linda Wilson

TOWN ATTORNEY

Charles M. Wynn

AUDITORS

Grimsley & Associates, P.A.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

GRIMSLEY & ASSOCIATES

Professional Association

Certified Public Accountants

MEMBER
FLORIDA INSTITUTE AND
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
Town of Malone, Florida
Greenwood, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Malone, Florida, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise Town of Malone, Florida's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Malone, Florida, as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof 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 discussion and analysis and budgetary comparison information on pages 3-7 and 28-29 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2020, on our consideration of the Town of Malone, Florida's internal control over financial reporting 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 solely 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 internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Malone, Florida's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Malone, Florida's internal control over financial reporting and compliance.

Grimsley & Associates

June 29, 2020
Marianna, Florida

Grimsley & Associates, P.A.
Certified Public Accountants

MANAGEMENT DISCUSSION AND ANALYSIS

The *Town Of Malone's* discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the *Town's* financial activity, (c) identify changes in the *Town's* financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan, (the approved budget), and (e) identify individual fund issues of concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on current year's activities, resulting changes and currently known facts, please read it in conjunction with the *Town's* financial statements.

Financial Highlights

The assets of the *Town of Malone* exceeded its liabilities at September 30, 2019 by \$ 2,892,900 (net position). Of this amount \$ 182,908 (unrestricted net position) may be used to meet the *Town's* ongoing obligations to citizens and creditors.

Town Highlights

The installation of the sewer lift station and sewer lines at Malone High School were completed.

The *Town* continued to work on repairs related to Hurricane Michael.

Using This Annual Report

The financial statement's focus is on both the *Town* as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the *Town's* accountability.

This discussion and analysis is intended to serve as an introduction to the *Town's* basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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 focus is on major funds, rather than fund types. The statement for the first time combines and consolidates governmental fund current resources (short-term spendable resources) with capital assets and long-term obligations. The statements include a Statement of Net Position and a Statement of Activities that are designed to provide consolidated financial information about the governmental activities of the *Town* presented on the accrual basis of accounting.

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

The Statement of Activities presents information showing how the Town's net position changed during the 2018 fiscal year. The focus is on both the gross and net costs of various activities, both governmental and business-type that are supported by the government's general tax and other revenues. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g. uncollected taxes earned and earned but unused vacation leave). This statement is intended to summarize and simplify the user's analysis of cost of various governmental services. An increase or decrease in net position is an indication of whether the Town's financial health is improving or deteriorating.

Both financial statements distinguish the functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Town include general government, public safety, streets and health and human services.

The government-wide financial statements can be found on pages 8-9 of the town's annual financial report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over the resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental and proprietary. Traditional uses of governmental financial statements will find the fund financial statements presentation more familiar.

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 the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, readers may better understand the long-term impact of the Town's near-term financing decisions.

The Town maintains two governmental funds and information on these funds is presented in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances.

The Town adopts an annual appropriated budget for its General Fund and Gas Tax. Budgetary comparison statements have been provided for these funds to demonstrate compliance with the budget and are presented as required supplemental information. This information may be found on pages 28-29 of the annual financial report.

The basic governmental fund financial statements can be found on pages 10-13 of the annual financial report.

Proprietary Funds

The *Town* maintains two proprietary fund types. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its water and sewer funds. The proprietary fund statement provides the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on page 14-16 of the annual financial 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. They can be found beginning on page 17 of the annual financial report.

Infrastructure Assets

The Town has implemented the major model portions of GASB Statement 34. Historically, a government's largest group of assets (infrastructure – roads, traffic signals, underground pipes not associated with a utility, etc.) have not been reported nor depreciated in governmental financial statements. This new statement requires that these assets be valued and reported within the governmental column of government-wide statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This section is used to present condensed financial information from the government-wide statements that compare the current year to the prior year.

Statement of Net Position

The following schedule reflects the condensed Statement of Net Position:

STATEMENT OF NET POSITION
As of September 30, 2019

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>
Current and other Assets	\$ 242,185	\$ 198,426	\$ 157,048	\$ 170,784	\$ 399,233	\$ 369,210
Capital Assets	<u>1,091,540</u>	<u>1,085,353</u>	<u>1,768,288</u>	<u>1,803,876</u>	<u>2,859,828</u>	<u>2,889,229</u>
Total Assets	<u>1,333,725</u>	<u>1,283,779</u>	<u>1,925,336</u>	<u>1,974,660</u>	<u>3,259,061</u>	<u>3,258,439</u>
Current Liabilities	218,818	62,252	71,317	71,215	290,135	133,467
Non current Liabilities	<u>-</u>	<u>82,872</u>	<u>166,200</u>	<u>149,200</u>	<u>166,200</u>	<u>232,072</u>
Total Liabilities	<u>218,818</u>	<u>145,124</u>	<u>237,517</u>	<u>220,415</u>	<u>456,335</u>	<u>365,539</u>
NET POSITION						
Invested in capital assets, net of related debt	1,025,480	980,810	1,582,425	1,637,676	2,607,905	2,618,486
Restricted						
Other Purposes	41,809	62,786		-	41,809	62,786
Debt Service	-	-	28,766	28,720	28,766	28,720
Unrestricted	<u>47,618</u>	<u>95,059</u>	<u>76,628</u>	<u>87,849</u>	<u>124,246</u>	<u>182,908</u>
Total Net Position	<u>\$ 1,114,907</u>	<u>\$ 1,138,655</u>	<u>\$ 1,687,819</u>	<u>\$ 1,754,245</u>	<u>\$ 2,802,726</u>	<u>\$ 2,892,900</u>

Statement of Activities

The following schedule compares the revenues and expenses for the current year:

STATEMENT OF ACTIVITIES For the Fiscal Year Ended September 30, 2019

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>
REVENUES						
Program Revenues						
Charges for Services	\$ 186,595	\$ 173,452	\$ 151,112	\$ 146,371	\$ 337,707	\$ 319,823
Operating Grants and Contributions	42,483	42,369	-	-	42,483	42,369
Capital Grants and Contributions	<u>104,400</u>	<u>138,349</u>	<u>386,541</u>	<u>133,935</u>	<u>490,941</u>	<u>272,284</u>
Total Program Revenues	<u>333,478</u>	<u>354,170</u>	<u>537,653</u>	<u>280,306</u>	<u>871,131</u>	<u>634,476</u>
General Revenues						
Taxes-Advalorem	14,543	14,467	-	-	14,543	14,467
Taxes-Other	130,226	130,673	-	-	130,226	130,673
Miscellaneous	<u>75,063</u>	<u>181,823</u>	<u>292</u>	<u>249</u>	<u>75,355</u>	<u>182,072</u>
Total General Revenues	<u>219,832</u>	<u>326,963</u>	<u>292</u>	<u>249</u>	<u>220,124</u>	<u>327,212</u>
Total Revenues	<u>553,310</u>	<u>681,133</u>	<u>537,945</u>	<u>280,555</u>	<u>1,091,255</u>	<u>961,688</u>
EXPENSES						
Governmental Activities						
General Government	193,201	319,372	-	-	193,201	319,372
Public Safety	43,377	51,088	-	-	43,377	51,088
Health & Sanitation	56,429	72,549	-	-	56,429	72,549
Transportation	128,306	130,842	-	-	128,306	130,842
Culture/Recreation	74,710	78,510	-	-	74,710	78,510
Interest on Long-Term Debt	3,969	5,024	-	-	3,969	5,024
Business-type Activities						
Water & Sewer	<u>-</u>	<u>-</u>	<u>228,294</u>	<u>214,199</u>	<u>228,294</u>	<u>214,199</u>
Total Expenses	<u>499,992</u>	<u>657,385</u>	<u>228,294</u>	<u>214,199</u>	<u>728,286</u>	<u>871,584</u>
Transfers	<u>15,000</u>	<u>-</u>	<u>(15,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>68,318</u>	<u>23,748</u>	<u>294,651</u>	<u>66,356</u>	<u>362,969</u>	<u>90,104</u>
Net Position - Beginning	<u>1,046,589</u>	<u>1,114,907</u>	<u>1,393,168</u>	<u>1,687,819</u>	<u>2,439,757</u>	<u>2,802,726</u>
Net Position - Ending	<u>\$ 1,114,907</u>	<u>\$ 1,138,655</u>	<u>\$ 1,687,819</u>	<u>\$ 1,754,175</u>	<u>\$ 2,802,726</u>	<u>\$ 2,892,830</u>

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 financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2019, the Town's governmental funds reported combined ending fund balances of \$157,845 of this amount \$86,981 was unassigned.

Proprietary Funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net position of the water and sewer funds as of September 30, 2019 were \$1,754,175 of which \$87,849 was unrestricted.

General Funds Budgetary Highlights

The Budget was amended on September 16, 2019 to reflect changes for the year's revenues and expenses that differed from the original budget amounts.

Requests for information

The Town's financial statements are designed to present users (citizens, taxpayers, customers, and creditors) with a general overview of the *Town's* finances and to demonstrate the Town's accountability. If you have any questions about this report or need additional financial information, you may contact Linda Wilson, Malone Town Clerk.

FINANCIAL STATEMENTS

Town of Malone, Florida
Statement of Net Position
September 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 133,068	\$ 123,336	\$ 256,404
Restricted Cash	-	30,829	30,829
Accounts Receivable	-	20,565	20,565
Due from other Governments	46,778	-	46,778
Prepaid Expenses	8,078	-	8,078
Internal Balances	10,502	(10,502)	-
Inventory	-	4,000	4,000
Capital Assets			
Land	234,260	-	234,260
Buildings, Improvements, and Equipment, Net	851,093	1,803,876	2,654,969
Total Capital Assets	1,085,353	1,803,876	2,889,229
Bond Issue Costs, Net	-	2,556	2,556
Total Assets	<u>1,283,779</u>	<u>1,974,660</u>	<u>3,258,439</u>
LIABILITIES			
Accounts Payable and Accrued Expenses	40,581	16,363	56,944
Customer Deposits	-	37,852	37,852
Long Term Liabilities			
Due within one year	21,671	17,000	38,671
Due in more than one year	82,872	149,200	232,072
Total Liabilities	<u>145,124</u>	<u>220,415</u>	<u>365,539</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	980,810	1,637,676	2,618,486
Restricted for:			
Other Purposes	62,786	-	62,786
Debt Service	-	28,720	28,720
Unrestricted	95,059	87,849	182,908
Total Net Position	<u>\$ 1,138,655</u>	<u>\$ 1,754,245</u>	<u>\$ 2,892,900</u>

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

Town of Malone, Florida
Statement of Activities
For the Year Ending September 30, 2019

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
Functions/Programs							
Governmental Activities:							
General Government	\$ 319,372	\$ 68,948	\$ -	\$ 61,019	\$ (189,405)	\$ -	\$ (189,405)
Public Safety	51,088	-	40,000	25,549	14,461	-	14,461
Health & Sanitation	72,549	77,282	-	-	4,733	-	4,733
Transportation	130,842	24,907	-	51,781	(54,154)	-	(54,154)
Culture/Recreation	78,510	2,315	2,369	-	(73,826)	-	(73,826)
Interest on Long-Term Debt	5,024	-	-	-	(5,024)	-	(5,024)
Total governmental activities	<u>657,385</u>	<u>173,452</u>	<u>42,369</u>	<u>138,349</u>	<u>(303,215)</u>	<u>-</u>	<u>(303,215)</u>
Business-type Activities:							
Water Fund	147,832	107,594	-	-	-	(40,238)	(40,238)
Sewer Fund	66,297	38,777	-	133,935	-	106,415	106,415
Total business activities	<u>214,129</u>	<u>146,371</u>	<u>-</u>	<u>133,935</u>	<u>-</u>	<u>66,177</u>	<u>66,177</u>
Total primary government	<u>\$ 871,514</u>	<u>\$ 319,823</u>	<u>\$ 42,369</u>	<u>\$ 272,284</u>	<u>\$ (303,215)</u>	<u>\$ 66,177</u>	<u>\$ (237,038)</u>
General Revenues:							
Taxes:							
Taxes-Advalorem					14,467	-	14,467
Taxes - Other					130,673	-	130,673
Interest Income					350	249	599
Miscellaneous					181,473	-	181,473
Total General Revenues and Transfers					<u>326,963</u>	<u>249</u>	<u>327,212</u>
Change in Net Position					23,748	66,426	90,174
Net Position - beginning					1,114,907	1,687,819	2,802,726
Net Position - ending					<u>\$ 1,138,655</u>	<u>\$ 1,754,245</u>	<u>\$ 2,892,900</u>

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

Town of Malone, Florida
Balance Sheet
Governmental Funds
September 30, 2019

	<u>General Fund</u>	<u>Gas Tax Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 70,801	\$ 62,267	\$ 133,068
Due from other Governments	46,259	519	46,778
Due from other Funds	10,502	-	10,502
Prepays	8,078	-	8,078
Total Assets	<u>\$ 135,640</u>	<u>\$ 62,786</u>	<u>\$ 198,426</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Expenses	\$ 15,510	\$ -	\$ 15,510
Accrued Leave	25,071	-	25,071
Total Liabilities	<u>40,581</u>	<u>-</u>	<u>40,581</u>
 Fund Balances:			
Nonspendable	8,078	-	8,078
Restricted:			
Other Purposes	-	62,786	62,786
Unassigned	86,981	-	86,981
Total Fund Balances	<u>95,059</u>	<u>62,786</u>	<u>157,845</u>
Total Liabilities & Fund Balances	<u>\$ 135,640</u>	<u>\$ 62,786</u>	<u>\$ 198,426</u>

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

Town of Malone, Florida
Reconciliation of Balance Sheet
To the Statement of Net Position
For the Year Ending September 30, 2019

Total Fund Balances - Total Governmental Fund \$ 157,845

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. 1,085,353

Some liabilities, including note payable, are
not due and payable in the current period
and therefore, are not reported in the funds. (104,543)

Total net position \$ 1,138,655

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

Town of Malone, Florida
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ending September 30, 2019

	General Fund	Gas Tax Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 111,031	\$ 34,109	\$ 145,140
Licenses & Permits	65,348	-	65,348
Intergovernmental Revenues	292,252	-	292,252
Charges for Services	108,104	-	108,104
Miscellaneous Revenues	4,157	106	4,263
Total Revenues	<u>580,892</u>	<u>34,215</u>	<u>615,107</u>
EXPENDITURES			
Current:			
General Government	298,467	-	298,467
Public Safety	38,244	-	38,244
Health and Sanitation	72,549	-	72,549
Transportation	117,743	1,103	118,846
Culture/Recreation	29,232	-	29,232
Debt Service:			
Principal	155,046	10,302	165,348
Interest	3,192	1,832	5,024
Capital Outlay	88,836	-	88,836
Total Expenditures	<u>803,309</u>	<u>13,237</u>	<u>816,546</u>
Excess (deficiency) of revenues over expenditures	<u>(222,417)</u>	<u>20,978</u>	<u>(201,439)</u>
OTHER FINANCING SOURCES (USES)			
Loan Proceeds	203,832	-	203,832
Insurance Proceeds	66,026	-	66,026
Total Other Financing Sources (Uses)	<u>269,858</u>	<u>-</u>	<u>269,858</u>
Net Change in Fund Balances	47,441	20,978	68,419
Fund Balances - beginning	47,618	41,808	89,426
Fund Balances - ending	<u>\$ 95,059</u>	<u>\$ 62,786</u>	<u>\$ 157,845</u>

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

Town of Malone, Florida
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Year Ending September 30, 2019

Net Change in Fund Balances - Total Governmental Funds	\$	68,419
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets, is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation \$89,270 exceeded capital outlay \$83,083 in the current period.		(6,187)
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Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds \$203,832 exceeded repayments \$165,348.		<u>(38,484)</u>
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Change in Net Position of Governmental Activities	\$	<u>23,748</u>
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The notes to the financial statements are an integral part of this statement

Town of Malone, Florida
Statement of Net Position – Proprietary Funds
September 30, 2019

	Enterprise Fund		<u>Total</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 88,880	\$ 34,456	\$ 123,336
Accounts Receivable	20,565	-	20,565
Due From Other Funds	-	3,511	3,511
Inventory	4,000	-	4,000
Total Current Assets	113,445	37,967	151,412
Noncurrent Assets:			
Cash and Cash Equivalents	30,829	-	30,829
Capital Assets:			
Buildings, Improvements, and Equipment, Net	993,612	810,264	1,803,876
Bond Issue Costs, Net	2,556	-	2,556
Total Noncurrent Assets	1,026,997	810,264	1,837,261
Total Assets	1,140,442	848,231	1,988,673
LIABILITIES			
Current Liabilities:			
Accounts Payable	325	-	325
Accrued Leave	9,643	3,857	13,500
Accrued Interest	2,538	-	2,538
Due to Other Funds	12,835	1,178	14,013
Bonds Payable, Current	17,000	-	17,000
Total Current Liabilities	42,341	5,035	47,376
Noncurrent Liabilities:			
Customer Deposits	37,852	-	37,852
Bonds and Notes Payable after One Year	149,200	-	149,200
Total Noncurrent Liabilities	187,052	-	187,052
Total Liabilities	229,393	5,035	234,428
NET POSITION			
Invested in Capital Assets, Net of Related Debt	827,412	810,264	1,637,676
Restricted:			
Debt Service	28,720	-	28,720
Unrestricted	54,917	32,932	87,849
Total Net Position	\$ 911,049	\$ 843,196	\$ 1,754,245

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

Town of Malone, Florida
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ending September 30, 2019

	Enterprise Fund		<u>Total</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	
OPERATING REVENUES:			
Charges for Services	\$ 107,594	\$ 38,777	\$ 146,371
OPERATING EXPENSES:			
Salaries and Benefits	35,310	14,125	49,435
Contractual Services	17,181	7,364	24,545
Insurance	2,915	1,457	4,372
Operating Supplies and Miscellaneous	30,541	11,696	42,237
Depreciation	52,688	31,655	84,343
Amortization	107	-	107
Total Operating Expenditures	138,742	66,297	205,039
Operating Gain(Loss)	(31,148)	(27,520)	(58,668)
Nonoperating Revenues (Expenses):			
Interest Income	127	122	249
Interest Expense	(9,090)	-	(9,090)
Total Nonoperating Revenue (Expenses)	(8,963)	122	(8,841)
Income (Loss) before Contributions and Transfers	(40,111)	(27,398)	(67,509)
Contributed Capital	-	133,935	133,935
Change in Net Position	(40,111)	106,537	66,426
Net Position, beginning of year	951,160	736,659	1,687,819
Net Position, end of year	\$ 911,049	\$ 843,196	\$ 1,754,245

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

Town of Malone, Florida
Statement of Cash Flows – Proprietary Funds
For the Year September 30, 2019

	Enterprise Fund		
	Water Fund	Sewer Fund	Total
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 110,792	\$ 38,777	\$ 149,569
Payments to Suppliers	(35,126)	(14,052)	(49,178)
Payments to Employees	(51,670)	(20,770)	(72,440)
Net Cash provided (used) by Operating Activities	<u>23,996</u>	<u>3,955</u>	<u>27,951</u>
Cash Flows from Noncapital Financing Activities:			
Loans to/from Other Funds	747	(594)	153
Contributed Capital	-	133,935	133,935
Net cash provided (used) by Noncapital Financing Activities	<u>747</u>	<u>133,341</u>	<u>134,088</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of Capital Assets	-	(122,594)	(122,594)
Principal Paid on Capital Debt	(17,000)	-	(17,000)
Interest Paid on Capital Debt	(9,160)	-	(9,160)
Net Cash provided (used) by Capital and Related Financing Activities	<u>(26,160)</u>	<u>(122,594)</u>	<u>(148,754)</u>
Cash Flows from Investing Activities:			
Interest Income	127	122	249
Net Increase in Cash and Cash Equivalents	(1,290)	14,824	13,534
Cash and Cash Equivalents, beginning of year	120,999	19,632	140,631
Cash and Cash Equivalents, end of year	<u>\$ 119,709</u>	<u>\$ 34,456</u>	<u>\$ 154,165</u>
Reconciliation of Operating Gain(Loss) to Net Cash Used in Operating Activities:			
Operating Gain(Loss)	\$ (31,148)	\$ (27,520)	\$ (58,668)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:			
Depreciation & Amortization	52,795	31,655	84,450
Change in Assets and Liabilities:			
Accounts Receivable	2,201	-	2,201
Customer Deposits	997	-	997
Accounts and Other Payables	(849)	(180)	(1,029)
Net Cash provided (used) by Operating Activities	<u>\$ 23,996</u>	<u>\$ 3,955</u>	<u>\$ 27,951</u>

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

NOTES TO FINANCIAL STATEMENTS

Town of Malone, Florida
Notes to Financial Statements
September 30, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Introduction

The Town of Malone, Florida's financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the Town's financial activities for the fiscal year ended September 30, 2018.

Reporting Entity

The Town of Malone, Florida (the "Town") was formed in 1909. On May 13, 1911, Chapter 6370, Laws of Florida, established the municipality of the Town of Malone, this charter was amended November 3, 1981. The Town operates under a Mayoral form of government. The Town's major operations include fire protection, parks, recreation, transportation, and general administrative services. In addition, the Town owns and operates a water and sewer system and garbage collection system.

Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Town of Malone, Florida, as a whole excluding fiduciary activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues. The Town does not allocate indirect costs.

Town of Malone, Florida
Notes to Financial Statements
September 30, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES – Continued

Fund Financial Statements

Fund financial statements are provided for the governmental and proprietary funds. Non-major governmental funds are reported in separate columns.

Basis of Accounting

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Town departments. Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for debt principal and interest which are recorded as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

When fund balance resources are available in more than one classification, it is the Town's policy to use the most restrictive funds in the following order: restricted, committed, assigned, and unassigned as they are needed.

Fund Types and Major Funds

Governmental Funds

The City reports the following major governmental funds:

General Fund – reports as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

Gas Tax Fund – to account for the proceeds of revenue sources that are legally restricted to use on transportation expenditures.

Town of Malone, Florida
Notes to Financial Statements
September 30, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES – Continued

Proprietary Funds

The City reports the following major proprietary funds:

Water Fund – accounts for the revenues and expenses, capital assets and debt for the water utility department of the Town.

Sewer Fund – accounts for all operations associated with the sewer system of the Town.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Investments

Amounts shown as cash and investment include cash in the checking accounts, cash on hand, cash in savings accounts and certificates of deposits.

Capital Assets and Depreciation

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Water and sewer system	15-50 years
Machinery and equipment	5-10 years
Improvements	10-20 years
Other infrastructure	10-50 years

In accordance with GASB Statement No. 34, the Town began recording the acquisition of infrastructure, streets, roads, sidewalks, etc., as capital assets effective for acquisitions made after September 30, 2003. Prior infrastructure acquisitions have not been included.

Property Taxes

The Town votes a local millage rate for the assessment of ad valorem property taxes. This rate was set at 1 mills for the October 2018 through September 2019 budget year. The Jackson County Property Appraiser's office includes this assessment with the countywide property tax assessments. The Jackson County Tax Collector is charged with collecting these revenues and distributing the Town its share of these collections.

Town of Malone, Florida
Notes to Financial Statements
September 30, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES – Continued

Property Taxes – Continued

All taxes are generally due and payable on November 1 of each year. Discounts are allowed of four, three, two and one percent for payment in November through February, respectively. Delinquent taxes at April 1 are converted, by the County, into Tax Certificates. Therefore, there are no significant taxes receivable at year-end.

Materials and Supplies Inventory

Expendable materials and supplies of the business-type activities are recorded at cost using the first-in/first-out method at September 30, 2019.

Long-Term Debt

In the government-wide financial statements, outstanding debt is reported as liabilities.

The governmental fund financial statements recognize the proceeds of debt as other financial sources of the current period.

Fund Equity

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as prepaid expenses) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

Risk Management and Insurance

The Town insures itself against losses from casualty, accident and dishonesty by purchasing municipal insurance through the Florida League of Cities, Inc. The Town believes the level of insurance purchased is adequate to protect against material loss. No significant changes in coverage or claims have been made in the last year.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgets and Budgetary Accounting

The Town uses the following procedures in establishing the budgetary data reflected in the financial statements.

Town of Malone, Florida
Notes to Financial Statements
September 30, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES – Continued

Budgets and Budgetary Accounting – Continued

1. The Town adopts its budget in accordance with Chapter 166, Florida Statutes.
 - a. The Town follows an internal hearing process to set the proposed tentative budget.
 - b. Public hearings are then held to adopt a tentative budget, and a final budget, in accordance with Chapter 166, Florida Statutes.
 - c. Budget amendments are made in accordance with applicable Florida Statutes.
2. Budgets are reported for the General Fund and Special Revenue Funds.
3. All budgets are adopted in accordance with Generally Accepted Accounting Principles.
4. Level of Control – Expenditures may not exceed appropriations and are controlled in the following manner:
 - d. The budget is controlled according to Chapter 166, Florida Statutes, at the total fund level.
 - e. Any Budget amendments or transfer of funds must be approved by the Town Council.

NOTE 2 – CASH AND INVESTMENTS

As discussed above, the amounts for cash include non-interest and interest bearing checking accounts, money market accounts and certificates of deposit.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk.

At September 30, 2019 the Town had the following cash deposits:

Amounts insured by FDIC	\$ 250,000
Amount Subject to Custodial Risk (Risk of loss due to bank failure) Collateralized with securities pledged by the financial institution and held in trust, but not in the Town's name	<u>44,823</u>
Total Deposits with Financial Institutions	<u>\$ 294,823</u>

The carrying value on the financial statements was \$287,233 at September 30, 2019.

Town of Malone, Florida
Notes to Financial Statements
September 30, 2019

NOTE 3 – RECEIVABLES

The Town reported receivables as follows:

GENERAL FUND	
Due from Other Governments	<u>\$ 46,259</u>
GAS TAX FUND	
Due from Other Governments	<u>\$ 519</u>
ENTERPRISE FUND - WATER SYSTEM	
Water Fees, Refuse Fees and Sewer Fees	<u>\$ 20,565</u>
Total	<u>\$ 20,565</u>

No allowances for uncollectible accounts are considered necessary.

NOTE 4 – INTERNAL BALANCES

As of September 30, 2019, the Town had Interfund receivables and payables that resulted from various transactions as follows:

	<u>Receivable</u>	<u>Payable</u>	<u>Purpose</u>
General Fund			
Receivable from Water Fund	\$ 9,324	\$ -	Operations
Receivable from Sewer Fund	1,178		Payroll
Water Fund			
Payable to General Fund	-	9,324	Operations
Payable to Sewer Fund	-	3,511	Operations
Sewer Fund			
Receivable from Water Fund	3,511	-	Operations
Payable to General Fund	<u>-</u>	<u>1,178</u>	Payroll
	<u>\$ 14,013</u>	<u>\$ 14,013</u>	

Town of Malone, Florida
Notes to Financial Statements
September 30, 2019

NOTE 5 – RESTRICTED ASSETS

Certain Enterprise Fund assets are restricted by debt service and capital projects (Water Fund). Restricted Assets consist of cash and investments, which is required by resolution to be set-aside for specific purposes and is therefore unavailable for general operating purposes.

Water Fund

Cash - Debt Service	<u>\$ 30,829</u>
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NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ending September 30, 2018 was as follows:

	<u>BEGINNING</u> <u>BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING</u> <u>BALANCE</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 234,260	\$ -	\$ -	\$ 234,260
Total capital assets, not being depreciated:	<u>234,260</u>	<u>-</u>	<u>-</u>	<u>234,260</u>
Capital assets, being depreciated:				
Office Furniture and equipment	392,067	25,549	-	417,616
Improvements other than buildings	1,108,217	57,534	-	1,165,751
Buildings	<u>412,009</u>	<u>-</u>	<u>-</u>	<u>412,009</u>
Total capital assets being depreciated:	<u>1,912,293</u>	<u>83,083</u>	<u>-</u>	<u>1,995,376</u>
Less accumulated depreciation for:				
Office Furniture and equipment	(300,450)	(21,512)	-	(321,962)
Improvements other than buildings	(604,037)	(59,047)	-	(663,084)
Buildings	<u>(150,526)</u>	<u>(8,711)</u>	<u>-</u>	<u>(159,237)</u>
Total Accumulated Depreciation	<u>(1,055,013)</u>	<u>(89,270)</u>	<u>-</u>	<u>(1,144,283)</u>
Total capital assets being depreciated, net	<u>857,280</u>	<u>(6,187)</u>	<u>-</u>	<u>851,093</u>
Governmental activities capital assets, net	<u>\$ 1,091,540</u>	<u>\$ (6,187)</u>	<u>\$ -</u>	<u>\$ 1,085,353</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 20,905
Public safety	12,843
Transportation	6,243
Culture and recreation	49,279
Total governmental depreciation expense	<u>\$ 89,270</u>

Town of Malone, Florida
Notes to Financial Statements
September 30, 2019

NOTE 6 – CAPITAL ASSETS – Continued

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Business Type activities:				
Capital assets, being depreciated:				
Distribution, collection systems, and improvement: \$	3,259,167	\$ 122,595	\$ -	\$ 3,381,762
Equipment	110,329	-	-	110,329
Total capital assets being depreciated:	3,369,496	122,595	-	3,492,091
Less: accumulated depreciation for:				
Distribution, collection systems, and improvement	(1,565,427)	(81,031)	-	(1,646,458)
Equipment	(38,445)	(3,312)	-	(41,757)
Total Accumulated Depreciation	(1,603,871)	(84,343)	-	(1,688,215)
Total capital assets being depreciated, net	1,765,625	38,252	-	1,803,876
Total Business-Type capital assets, net	\$ 1,765,625	\$ 38,252	\$ -	\$ 1,803,876

NOTE 7 - LONG TERM DEBT

Governmental Activities

Notes payable

Note payable in monthly installments of \$1,103, including interest at 5.0%, collateralized by real estate, due June 15, 2021 in balloon payment of outstanding principal and interest.

\$ 55,758

Note payable in monthly installments of \$977, including interest at 4.63%, collateralized by real estate, due March 1, 1011 in balloon payment of outstanding principal and interest. Renewal of loan that

47,526

Line of Credit not to exceed \$301,054, including interest at 4.50%, interest payments due monthly, with all outstanding principal and interest due in full on July 12, 2020.

1,259

Total governmental activities

\$ 104,543

Town of Malone, Florida
Notes to Financial Statements
September 30, 2019

NOTE 7 - LONG TERM DEBT – Continued

Debt Service requirements to on governmental activities long-term debt at September 30, 2018 are as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2020	\$ 21,671	\$ 3,072	\$ 24,743
2021	55,260	2,552	57,812
2022	<u>27,612</u>	<u>1,557</u>	<u>29,169</u>
	<u>\$104,543</u>	<u>\$ 7,181</u>	<u>\$111,724</u>

Changes in long-term governmental obligations are summarized as follows:

	<u>Beginning</u>			<u>Ending</u>	<u>Due within</u>
<u>Governmental Activities</u>	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>	<u>One year</u>
Notes	<u>\$ 66,060</u>	<u>\$203,832</u>	<u>\$(165,349)</u>	<u>\$104,543</u>	<u>\$ 21,671</u>

Business – Type Activities

During the year ended September 30, 1988, the Town issued \$434,200 Water System Revenue Bonds, Series 1988. Payments are due annually September 1, including interest at 5.0%. All bonds are held by Rural Development, a division of the United States Department of Agriculture.

The following is the debt service requirements for the business type activities revenue bond September 30, 2019:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2020	\$ 17,000	\$ 7,460	\$ 24,460
2021	18,000	6,520	24,520
2022	19,000	5,610	24,610
2023	20,000	4,610	24,610
2024	21,000	7,280	28,280
2025-2027	<u>71,200</u>	<u>11,890</u>	<u>83,090</u>
	<u>\$166,200</u>	<u>\$43,370</u>	<u>\$209,570</u>

Town of Malone, Florida
Notes to Financial Statements
September 30, 2019

NOTE 7 - LONG TERM DEBT – Continued

Changes in long-term business-type obligations are summarized as follows:

	<u>Beginning</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending</u>	<u>Due within</u>
	<u>Balance</u>	<u> </u>	<u> </u>	<u>Balance</u>	<u>One year</u>
<u>Business-Type Activities</u>					
Bonds	<u>\$183,200</u>	<u>\$ -</u>	<u>\$ (17,000)</u>	<u>\$166,200</u>	<u>\$ 17,000</u>

NOTE 8 – BOND ORDINANCE REQUIREMENTS

Proprietary Fund Type – Enterprise Fund – Water System

The Bond Ordinance adopted May 12, 1987, requires the establishment of certain “trust funds” to ensure repayment of the Water System Revenue Bonds. It was amended on January 13, 2004, for the additional issuance of the 2004 Water System Revenue Bonds.

1. All cash income from the ownership and operation of the system shall be deposited into the “Revenue Fund” on or before the 15th day of each month. Transfers are to be made to certain accounts.
2. The “Sinking Fund” is to be used exclusively for the purpose of paying principal and interest on the bonds and is to be funded by transferring each month from the “Revenue Fund” one-twelfth of the next annual interest and principal requirement.
3. The “1988 Bond Reserve Account” is to be established by transferring on or before the 15th of each month from the “Reserve Fund” the sum of \$264 until such time as the fund equals \$27,510. The funds in this account shall be used only for paying the cost of repairing or replacing any damage to the system caused by an unforeseen catastrophe, construction improvements or extensions to increase net revenues, and paying principal and interest in the event that the Sinking Fund is insufficient to meet such payments.
4. The “Operation and Maintenance Fund” is to be used exclusively for the purpose of receiving funds transferred monthly from the revenue fund and for paying the current expense of the system pursuant to the annual budget.
5. Excess funds not required by the above accounts are to be transferred to the Water System Revenue Bonds Redemption Account. This account is to be used to redeem the Bonds in inverse order or to acquire outstanding bonds subject to limitations.

Town of Malone, Florida
Notes to Financial Statements
September 30, 2019

NOTE 9 – COMPENSATED ABSENCES

Accrued Leave

All full time employees of the Town are entitled to an annual vacation and sick leave with pay. The employees are generally allowed to accumulate vacation leave up to 100 hours. Sick leave may be accumulated and is paid 80% after 10 years of service upon termination. Vacation pay and sick leave payments are included in operating costs when the payments are made to the employees. The estimated commitment for annual leave at September 30, 2019 was \$38,571. This amount is included in the accrued expenses of the governmental activities in the amount of \$25,071 and the business-type activities in the amount of \$13,500.

NOTE 10 - RETIREMENT PLAN

As of October 1, 1997, the Town adopted “The Retirement Plan and Trust for the Employees of the Town of Malone”. This plan is a defined contribution type plan through which the Town contributed 3.5% of each participant’s compensation for the employee’s benefit. Employees may also elect to contribute to the plan. Voluntary contributions may not exceed \$18,000 per employee. The plan is administered by City Street, “Florida Municipal Pension Trust Fund”.

The plan was adopted by Local Ordinance 76 dated December 9, 1997. The plan was amended on December 11, 2001, to reflect a change in the administrator. The plan may be amended, but not in such a manner to cause any reduction in amounts credited to participants.

During the year ended September 30, 2019, the Town’s contributions totaled \$5,219 and voluntary employee contributions totaled \$ 2,901.

NOTE 11 – SUBSEQUENT EVENTS AND CONTINGENCIES

In August 2018 the Town entered in an agreement with United States Department of Agriculture – Rural Utilities Service to update and extend the sewer system with an estimated cost of \$4,790,000. Of this amount the Town is expected to finance \$1,226,000 the remaining \$3,534,000 will be a grant to the Town. The Town is still in the process of determining if this project is feasible.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
Town of Malone, Florida
Budgetary Comparison Schedule – General Fund
For the Year Ending September 30, 2019

	Budgeted Amounts		Actual Amounts
	<u>Original</u>	<u>Final</u>	<u>(GAAP Basis)</u>
REVENUES			
Taxes	\$ 107,597	\$ 108,830	\$ 111,031
Licenses & Permits	92,072	70,620	65,348
Intergovernmental Revenues	795,190	404,147	292,252
Charges for Services	107,909	108,222	108,104
Miscellaneous Revenues	6,831	42,226	4,157
Total Revenues	<u>1,109,599</u>	<u>734,045</u>	<u>580,892</u>
EXPENDITURES			
Current:			
General Government	179,216	323,560	298,467
Public Safety	38,590	39,625	38,244
Health & Sanitation	61,154	78,000	72,549
Transportation	102,477	119,427	117,743
Culture/Recreation	27,749	37,570	29,232
Debt Service:			
Principal	5,700	152,867	155,046
Interest	-	-	3,192
Capital Outlay	696,566	192,250	88,836
Total Expenditures	<u>1,111,452</u>	<u>943,299</u>	<u>803,309</u>
Excess (deficiency) of revenues over expenditures	<u>(1,853)</u>	<u>(209,254)</u>	<u>(222,417)</u>
OTHER FINANCING SOURCES (USES)			
Loan Proceeds	-	220,184	203,832
Insurance Proceeds	-	-	66,026
Total Other Financing Sources (Uses)	<u>-</u>	<u>220,184</u>	<u>269,858</u>
Net Change in			
Fund Balances	(1,853)	10,930	47,441
Fund Balances - beginning	47,618	47,618	47,618
Fund Balances - ending	<u>\$ 45,765</u>	<u>\$ 58,548</u>	<u>\$ 95,059</u>

Note: This schedule is prepared on the modified accrual basis of accounting.

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

Required Supplementary Information
Town of Malone, Florida
Budgetary Comparison Schedule – Gas Tax Fund
For the Year Ending September 30, 2019

	Budgeted Amounts		Actual Amounts
	Original	Final	(GAAP Basis)
REVENUES			
Taxes	\$ 37,227	\$ 35,250	\$ 34,109
Miscellaneous Revenues	70	75	106
Total Revenues	<u>37,297</u>	<u>35,325</u>	<u>34,215</u>
EXPENDITURES			
Current:			
Transportation	825	1,500	1,103
Debt Service:			
Principal	10,237	11,800	10,302
Interest	-	-	1,832
Capital Outlay	<u>26,078</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>37,140</u>	<u>13,300</u>	<u>13,237</u>
Excess (deficiency) of revenues over expenditures	<u>157</u>	<u>22,025</u>	<u>20,978</u>
Net Change in Fund Balances	157	22,025	20,978
Fund Balances - beginning	<u>41,808</u>	<u>41,808</u>	<u>41,808</u>
Fund Balances - ending	<u>\$ 41,965</u>	<u>\$ 63,833</u>	<u>\$ 62,786</u>

Note: This schedule is prepared on the modified accrual basis of accounting.

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

GRIMSLEY & ASSOCIATES

Professional Association

Certified Public Accountants

MEMBER
FLORIDA INSTITUTE AND
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

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

Honorable Mayor and Town Council
Town of Greenwood
Greenwood, Florida

We have examined Town of Malone, Florida, Florida's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2019. Management is responsible for Town of Malone, Florida, Florida's compliance with those requirements. Our responsibility is to express an opinion on Town of Malone, Florida, Florida'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 of Malone, Florida, Florida complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Town of Malone, Florida, Florida complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that our examination provides a reasonable basis for our opinion.

Our examination does not provide a legal determination on Town of Malone, Florida, Florida's compliance with specified requirements.

In our opinion, Town of Malone, Florida, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.

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

Grimsley & Associates

Marianna, Florida
June 29, 2020

Grimsley and Associates, P.A.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT
REQUIRED BY
GOVERNMENTAL AUDITING STANDARDS

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

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OWEN W. GRIMSLEY, C.P.A.

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

Honorable Mayor and Town Council Members
Town of Malone
Malone, Florida 32445

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Malone, Florida, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Malone, Florida's basic financial statements and have issued our report thereon dated June 29, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Malone, Florida'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 of Malone, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Malone, Florida's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings as item 2007-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings as item 2004-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Malone, Florida'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 Malone, Florida's Response to Findings

The Town of Malone, Florida's response to the findings identified in our audit is described in the accompanying section titled Response to Findings. The Town of Malone, Florida'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.

Grimsley & Associates

June 29, 2020
Marianna, Florida

Grimsley & Associates, P.A.
Certified Public Accountants

SCHEDULE OF FINDINGS

Town of Malone
Schedule of Findings
September 30, 2019

2004-001

Criteria – Custody of assets, record keeping and recording of assets should have adequate separation.

Condition – Due to the size of the organization, proper separation of duties may not be feasible.

Effect – Internal controls lack proper checks and balances due to the size of the organization.

Cause – This is a small bookkeeping system.

Recommendation – Management should remain very active and involved in the day-to-day operations. Controls should be established to provide checks and balances.

2007-001

Criteria – An entity's system of internal control over financial reporting should include controls over the prevention, detection and correction of misstatements in the audited financial statements.

Condition – The Town relies on the external auditor to assist with preparing and explaining financial statements in conformity with generally accepted accounting principles.

Effect – Since the auditor cannot be a part of an entity's system of internal accounting control, the Town's system of internal accounting control over the financial reporting is not sufficient by itself to prevent, detect or correct misstatements in the audited financial statements.

Cause – The Town has a small accounting staff necessitated by the overall small size of the entity. They do not consider it cost effective to develop and maintain a system of internal accounting control sufficient to prepare financial statements in accordance with generally accepted accounting principles, nor to maintain internal staff with sufficient knowledge to develop and maintain controls to prevent, detect or correct misstatements in audited financial statements.

Recommendation – The Town should continue to consider the effects of the cost of developing and benefits of implementing such a system as compared with understanding that due to the size of their accounting department, they will continue to need external assistance with the preparation and understanding of financial statements in accordance with generally accepted accounting principles.

INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT
REQUIRED BY THE STATE OF FLORIDA

GRIMSLEY & ASSOCIATES

Professional Association

Certified Public Accountants

MEMBER
FLORIDA INSTITUTE AND
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT REQUIRED BY THE STATE OF FLORIDA

Honorable Mayor and City Council Members
Town of Malone
Malone, Florida 32445

Report on the Financial Statements

We have audited the financial statements of the Town of Malone, Florida, as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated June 29, 2020.

Auditor's 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 Auditor's 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*; Schedule of Findings; and Independent Accountant's 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 29, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report except as noted below under the heading Prior Year Findings and Recommendations.

Post Office Box 220 · Lafayette Street · Marianna, Florida 32447-0220 · 850-526-3910 · FAX 850-482-6019

Schedule of Findings items:

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2017-18 FY Finding #	2016-17 FY Finding #
2004-001	2004-001	2004-001
2007-001	2007-001	2007-001

Management letter items:

None

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 the management letter, unless disclosed in the notes to the financial statements. This information is disclosed in the notes to the financial statements.

Financial Condition and Management

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

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendation to improve financial management. In connection with our audit, see finding 18-001 for our recommendation.

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 warrant the attention of those charged with governance. In connection with our audit, we did not note any such findings.

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 other granting agencies, the Town Council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Prior Year Findings:

None

Current Year Findings:

None

Grimsley & Associates

June 29, 2020
Marianna, Florida

Grimsley & Associates, P.A.
Certified Public Accountants

RESPONSE TO AUDIT FINDINGS



TOWN OF MALONE

• 5182 9th Avenue • Malone, Florida 32445
850-569-2308 • Fax 850-569-5885

June 29, 2020

Auditor General
Claude Pepper Building Room 401
11 West Madison Street
Tallahassee, FL 32399

Re: Audit for Fiscal Year 2018-2019

Auditor General,

In accordance with the requirements of the Auditor General, we are submitting the following responses to the independent auditor's findings in their audit of our financial statement for the year end September 2019.

Independent Auditor's report on Internal Control over Financial Reporting and on Compliance and other matters.

Prior Year's Comments:

2004-001 - Segregation of Duties – Mayor and Town Council will continue to be active and involved in the day-to-day operation of the town's finances.

2007-001 - Internal Accounting Control – The Town of Malone does not consider it cost effective to develop and maintain a system of internal accounting control sufficient to.

Current Year's Findings 2018-2019:

No new findings other than what is listed for Prior Years Findings.

Sincerely

Linda Wilson
Linda Wilson

Town Clerk