

TOWN OF MALABAR, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2021



TOWN COUNCIL

(AS OF FINANCIAL STATEMENT DATE)

Patrick Reilly, Mayor

Brian Vail

Steve Rivet

Mary Hofmeister

David Scardino

Marisa Acquaviva

TOWN MANAGER

Matthew Stinnett

TOWN CLERK / TREASURER

Debby Franklin

**TOWN OF MALABAR, FLORIDA
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SEPTEMBER 30, 2021**

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, Town Council, and Town Manager,
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, 2021, 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 (1) unmodified opinion on the general funds and (2) qualified audit opinion on the governmental activities.

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 has not been determined. 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, 2021, 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, 2021, 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 2, 2022, 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.

James Moore & Co., P.L.

Daytona Beach, Florida
June 2, 2022

Town of Malabar, Florida Management's Discussion and Analysis

As management of the Town of Malabar, Florida (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, 2021.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the 2021 fiscal year by \$3,683,464 (net position). Of this amount, \$2,984,286 is net investment in capital assets while restricted net position is \$230,060. \$469,118 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The total net position increased \$533,227 from the previous year.
- As of the close of fiscal year 2021, the Town's general fund reported an ending fund balance of \$1,780,610, a increase of \$73,891 in comparison with the prior year. While \$230,060 represents the portion restricted by outside parties, \$29,223 is nonspendable and \$154,442 is assigned for subsequent year expenditures, and \$1,366,885 of the governmental funds balance is available for spending at the government's discretion (unassigned fund balance).
- At the end of the 2021 fiscal year, unassigned fund balance for the general fund was \$1,366,885 or 57.0% of total general fund expenditures.
- The Town's capital leases decreased by \$69,398 during the 2021 fiscal year due to ongoing payments on capital leases, while notes payable increased by \$132,623 related to draw downs on a new state revolving fund loan.

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

	Governmental Activities		\$ Change	% Change
	September 30,			
	2021	2020		
ASSETS				
Current	\$ 2,000,868	\$ 1,793,070	\$ 207,798	11.6%
Capital assets, net	3,657,892	3,229,022	428,870	13.3%
Total assets	<u>5,658,760</u>	<u>5,022,092</u>	<u>636,668</u>	<u>24.9%</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	<u>\$ 368,510</u>	<u>\$ 607,602</u>	<u>\$ (239,092)</u>	<u>-39.4%</u>
LIABILITIES				
Current liabilities	\$ 236,340	\$ 228,403	\$ 7,937	3.5%
Long-term liabilities	1,244,289	2,222,292	(978,003)	-44.0%
Total liabilities	<u>\$ 1,480,629</u>	<u>\$ 2,450,695</u>	<u>\$ (970,066)</u>	<u>-40.5%</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	<u>\$ 863,177</u>	<u>\$ 28,762</u>	<u>\$ 834,415</u>	<u>2901.1%</u>
NET POSITION				
Net investment in capital assets	\$ 2,984,286	\$ 2,618,641	\$ 365,645	14.0%
Restricted	230,060	204,741	25,319	12.4%
Unrestricted	469,118	326,855	142,263	43.5%
Total net position	<u>\$ 3,683,464</u>	<u>\$ 3,150,237</u>	<u>\$ 533,227</u>	<u>69.9%</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 \$3,683,464 at the close of the 2021 fiscal year. The largest portion of the Town's net position (\$2,984,286 or 81.0%) 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, \$230,060 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 \$469,118 for the 2021 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>%</u>
	<u>September 30,</u>			
	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>Change</u>
Revenues				
Program revenues				
Charges for services	\$ 392,802	\$ 388,270	\$ 4,532	1.2%
Operating grants	114,735	107,466	7,269	6.8%
Capital grants	-	48,070	(48,070)	-100.0%
General revenues				
Property taxes	639,178	574,725	64,453	11.2%
Sales and use taxes	195,061	169,869	25,192	14.8%
Utility taxes	332,570	313,739	18,831	6.0%
Franchise and utility taxes	263,562	245,736	17,826	7.3%
Communications service taxes	103,887	103,926	(39)	0.0%
Intergovernmental shared revenue - non-program	104,571	88,848	15,723	17.7%
Investment earnings	4,491	16,827	(12,336)	-73.3%
Gain on sale of assets	176,195	-	176,195	100.0%
Miscellaneous revenues	4,207	22,769	(18,562)	-81.5%
Total revenues	<u>2,331,259</u>	<u>2,080,245</u>	<u>251,014</u>	<u>-89.9%</u>
Expenses				
General government	419,706	713,791	(294,085)	-41.2%
Public safety	820,683	818,038	2,645	0.3%
Physical environment	152,262	138,589	13,673	9.9%
Transportation	342,709	366,295	(23,586)	-6.4%
Culture and recreation	46,730	44,057	2,673	6.1%
Interest on long-term debt	15,942	17,372	(1,430)	-8.2%
Total expenses	<u>1,798,032</u>	<u>2,098,142</u>	<u>(300,110)</u>	<u>-39.6%</u>
Change in net position	<u>533,227</u>	<u>(17,897)</u>	<u>551,124</u>	<u>-3079.4%</u>
Net position, beginning of year	3,150,237	3,168,134	(17,897)	-0.6%
Net position, end of year	<u>\$ 3,683,464</u>	<u>\$ 3,150,237</u>	<u>\$ 533,227</u>	<u>16.9%</u>

Governmental activities

Governmental activities increased the Town's net position by \$533,227. This amount is primarily attributable to a gain on sale of land for approximately \$176,195 as well as a decrease in general governmental expenses of \$294,085, which primarily related to a decrease in pension expense.

- The Town's total revenues related to governmental activities increased by \$251,014 from the prior year. Factors that contributed to an increase in revenues are an increase in property taxes of \$64,453 and a \$9,785 increase in charges for services, primarily related to building permit activity.
- Expenses related to governmental activities decreased by \$300,110 from the prior year. This is related primarily to a decrease in stormwater project costs.

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 \$1,780,610, an increase of \$73,891 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 \$1,366,885. 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 57% 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 \$104,465 more than budgeted amounts primarily due to property taxes \$126,354 in excess of budget. Expenditures were \$213,747 less than budget primarily due to favorable variances in transportation from projects that were delayed (approximately \$132,000) and lower than expected public safety expenditures (approximately \$84,000).

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's investment in capital assets for its governmental activities as of September 30, 2021, amounts to \$3,657,892 (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 (5) 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, 2021:

Capital leases	\$ 498,988
Clean Water State Revolving Fund loan	174,618
Compensated absences	106,856
Total	<u>\$ 780,462</u>

The Town's long-term liabilities decreased by \$970,066 during the current fiscal year. This decrease was attributable primarily to a decrease in the net pension liability. Additional information on the Town's long-term liabilities can be found in Notes (6) 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 Richard Kohler, Town Clerk/Treasurer, Town of Malabar, Florida.

TOWN OF MALABAR, FLORIDA
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2021

ASSETS	
Cash and cash equivalents	\$ 634,292
Investments	1,140,084
Receivables, net	90,378
Due from other governments	61,847
Prepays	29,223
Capital assets:	
Non-depreciable capital assets	2,267,940
Other capital assets, net of accumulated depreciation	1,389,952
Total assets	<u><u>\$ 5,658,760</u></u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	<u><u>\$ 368,510</u></u>
 LIABILITIES	
Accounts payable	\$ 99,751
Accrued payroll and employee benefits	31,834
Unearned revenue	88,673
Accrued interest payable	16,082
Noncurrent liabilities:	
Due within one year:	
Bonds and notes payable	3,668
Capital leases	71,507
Compensated absences	53,428
Due in more than one year:	
Bonds and notes payable	170,950
Capital leases	427,481
Compensated absences	53,428
Net pension liability	463,827
Total liabilities	<u><u>\$ 1,480,629</u></u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u><u>\$ 863,177</u></u>
 NET POSITION	
Net investment in capital assets	\$ 2,984,286
Restricted for:	
Building department	230,060
Unrestricted	469,118
Total net position	<u><u>\$ 3,683,464</u></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, 2021**

<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	\$ 419,706	\$ 256,240	\$ -	\$ -	\$ (163,466)
Public safety	820,683	-	1,475	-	(819,208)
Physical environment	152,262	122,324	-	-	(29,938)
Transportation	342,709	14,238	113,260	-	(215,211)
Culture and recreation	46,730	-	-	-	(46,730)
Interest on long-term debt	15,942	-	-	-	(15,942)
Total governmental activities	<u>\$ 1,798,032</u>	<u>\$ 392,802</u>	<u>\$ 114,735</u>	<u>\$ -</u>	<u>(1,290,495)</u>
General revenues:					
Property taxes					639,178
Sales and use taxes					195,061
Utility taxes					332,570
Franchise and utility taxes					263,562
Communications service taxes					103,887
Intergovernmental shared revenue - non-program					104,571
Investment earnings					4,491
Gain on sale of assets					176,195
Miscellaneous revenues					4,207
Total general revenues					<u>1,823,722</u>
Change in net position					533,227
Net position - beginning					3,150,237
Net position - ending					<u>\$ 3,683,464</u>

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

**TOWN OF MALABAR, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 634,292
Investments	1,185,128
Receivables, net	90,378
Due from other governments	61,847
Prepaid items	29,223
Total assets	\$ 2,000,868
LIABILITIES	
Accounts payable	\$ 99,847
Accrued liabilities	31,738
Unearned revenues	88,673
Total liabilities	220,258
FUND BALANCE	
Nonspendable:	
Prepaid items	29,223
Restricted:	
Building department	230,060
Assigned:	
Subsequent year's budget	154,442
Unassigned	1,366,885
Total fund balances	1,780,610
Total liabilities and fund balance	\$ 2,000,868

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, 2021

Fund balances - total governmental funds \$ 1,780,610

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	7,224,958	
Less: accumulated depreciation	<u>(3,567,066)</u>	3,657,892

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	(463,827)	
Deferred outflows related to pensions	368,510	
Deferred inflows related to pensions	<u>(863,177)</u>	(958,494)

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:

Bonds and notes payable	(174,618)	
Capital leases payable	(498,988)	
Accrued interest payable	(16,082)	
Compensated absences	<u>(106,856)</u>	(796,544)

Net position of governmental activities \$ 3,683,464

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, 2021

	<u>General Fund</u>
Revenues	
Taxes and fees:	
Ad valorem taxes	\$ 639,178
Utility taxes	332,570
Franchise fees	263,562
Public service taxes	103,887
Sales and uses taxes	308,321
Licenses and permits	217,552
Charges for services	122,324
Intergovernmental	104,571
Investment income	4,491
Miscellaneous	58,608
Total revenues	<u>2,155,064</u>
Expenditures	
Current:	
General government	466,285
Public safety	755,358
Physical environment	45,127
Transportation	326,995
Culture and recreation	85,385
Capital outlay	632,986
Debt service	
Principal	69,398
Interest and fiscal charges	17,512
Total expenditures	<u>2,399,046</u>
Excess (deficiency) of revenues over expenditures	<u>(243,982)</u>
Other financing sources (uses)	
Proceeds from sale of capital assets	185,250
Issuance of debt	132,623
Total other financing sources (uses)	<u>317,873</u>
Net change in fund balance	<u>73,891</u>
Fund balance, beginning of year	1,706,719
Fund balance, end of year	<u><u>\$ 1,780,610</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, 2021

Net change in fund balances - total governmental funds	\$ 73,891
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	632,986
Depreciation expense	(195,061)
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	(132,623)
Principal repayment of general long-term debt	69,398
In the statement of activities, only the gain/loss on sale/disposal of capital assets is reported. However, in governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold/disposed.	
	(9,055)
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	88,972
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	1,570
Change in compensated absences liability	3,149
Change in net position of governmental activities	\$ 533,227

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, 2021

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		Actual
REVENUES				
Taxes	\$ 1,521,164	\$ 1,521,164	\$ 1,647,518	\$ 126,354
Licenses and permits	201,600	201,600	217,552	15,952
Intergovernmental	105,747	105,747	104,571	(1,176)
Charges for services	128,953	128,953	122,324	(6,629)
Interest revenues	20,000	20,000	4,491	(15,509)
Miscellaneous	73,135	73,135	58,608	(14,527)
Total revenues	2,050,599	2,050,599	2,155,064	104,465
Expenditures				
Current:				
General Government:				
Legislative	24,000	24,000	21,702	2,298
Executive	122,085	122,085	115,541	6,544
Finance	208,877	208,877	213,901	(5,024)
Legal	30,000	30,000	31,920	(1,920)
Comprehensive planning	5,000	5,000	892	4,108
Contingency and other	72,014	72,014	82,329	(10,315)
Public Safety:				
Fire	637,904	637,904	592,656	45,248
Protective services	201,526	201,526	162,702	38,824
Physical environment	234,076	234,076	201,642	32,434
Transportation	679,646	839,646	707,213	132,433
Parks and recreation	97,809	187,969	181,638	6,331
Debt Service:				
Principal	49,696	49,696	69,398	(19,702)
Interest and fiscal charges	-	-	17,512	(17,512)
Total expenditures	2,362,633	2,612,793	2,399,046	213,747
Excess (deficiency) of revenues over (under) expenditures	(312,034)	(562,194)	(243,982)	318,212
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	185,250	185,250
Issuance of debt	105,123	105,123	132,623	27,500
Total other financing sources (uses)	105,123	105,123	317,873	212,750
Net change in fund balance	(206,911)	(457,071)	73,891	530,962
Fund balance, beginning of year	1,706,719	1,706,719	1,706,719	-
Fund balance, end of year	\$ 1,499,808	\$ 1,249,648	\$ 1,780,610	\$ 530,962

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

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(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, 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, 2021

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

The governmental funds 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, 2021

(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 Manager 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 1st, 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 Manager may make transfers within a department as long as the total budget for the department is not increased. Transfers of appropriations between departments require the approval of the 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) **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 the GASB Codification. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

(g) **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, 2021

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

(h) **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 \$5,000 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

(i) **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.

(j) **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 (8).

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 (8).

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

(k) **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 Manager.

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.

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

(l) **Property taxes**— Property tax revenues are recognized when levied, to the extent that they result in current receivables. Details of the property tax calendar are presented below:

Lien date	January 1
Levy date	October 1
Discount periods	November – February
No discount period	March
Delinquent date	April 1

(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.

(n) **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.

(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.

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(3) **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, 2021:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>	<u>Credit Risk</u>	<u>Fair Value Level</u>
Florida PRIME	\$ 45,044	49 days	AAAm (S&P)	n/a
Mortgage-backed securities	1,140,084	2.5 years	NR	Level 2
Total	<u>\$ 1,185,128</u>			

(4) **Accounts Receivable:**

At September 30, 2021, the Town’s receivables consist of \$90,378, all of which was included in the general fund and governmental activities. In addition to accounts receivable, the Town also recorded \$61,847 in due from other governments at September 30, 2021. There was no allowance for doubtful accounts at September 30, 2021.

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(5) Capital Assets:

Capital asset activity for the fiscal year ended September 30, 2021, 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	\$ -	\$ (9,055)	\$ 1,877,726
Construction in progress	59,701	348,219	(17,706)	390,214
Total capital assets, not being depreciated	<u>1,946,482</u>	<u>348,219</u>	<u>(26,761)</u>	<u>2,267,940</u>
Capital assets, being depreciated –				
Buildings and improvements	1,040,695	96,254	(88,793)	1,048,156
Equipment	2,832,223	188,513	-	3,020,736
Infrastructure	870,420	17,706	-	888,126
Total capital assets, being depreciated	<u>4,743,338</u>	<u>302,473</u>	<u>(88,793)</u>	<u>4,957,018</u>
Less: accumulated depreciation	<u>(3,460,798)</u>	<u>(195,061)</u>	<u>88,793</u>	<u>(3,567,066)</u>
Total capital assets, being depreciated, net	<u>1,282,540</u>	<u>107,412</u>	<u>-</u>	<u>1,389,952</u>
Governmental activities capital assets, net	<u>\$ 3,229,022</u>	<u>\$ 455,631</u>	<u>\$ (26,761)</u>	<u>\$ 3,657,892</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 78,354
Public safety	65,325
Cultural and recreational	13,918
Physical environment	21,750
Transportation	15,714
Total depreciation expense - governmental activities	<u>\$ 195,061</u>

(6) 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:

<u>Assets Under Lease</u>	<u>Governmental Activities</u>
Equipment	\$ 440,259
Vehicles	316,662
Less: accumulated depreciation	(302,769)
Total	<u>\$ 454,153</u>

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(6) **Capital Leases:** (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2021 were as follows:

Year Ending September 30,	Governmental Activities
2022	\$ 86,910
2023	86,910
2024	86,910
2025	86,910
2026	86,910
Thereafter	124,125
Total minimum lease payments	558,674
Less: interest	(59,686)
Total	\$ 498,988

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

The Town added a new state revolving fund (SRF) loan during the year ended September 30, 2021, with a year-end balance payable of \$174,618 based on current year expenditures for drawdowns. A repayment schedule will not be finalized and no payments will be due until at least fiscal year 2022.

Annual debt service requirements to maturity for the Town's loan payable are as follows:

Year Ending September 30	Principal	Interest	Total
2022	\$ 3,668	\$ 1,502	\$ 5,170
2023	9,294	1,046	10,340
2024	9,352	988	10,340
2025	9,410	930	10,340
2026	9,469	871	10,340
2027-2031	48,233	3,467	51,700
2032-2036	49,748	1,952	51,700
2037-2041	35,444	453	35,897
Total	\$ 174,618	\$ 11,209	\$ 185,827

For the fiscal year ended September 30, 2021, a summary of the long-term liability transactions for the Town is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
Capital leases	\$ 568,386	\$ -	\$ (69,398)	\$ 498,988	\$ 71,507
Clean Water State Revolving Fund	41,995	132,623	-	174,618	3,668
Compensated absences	110,005	54,775	(57,924)	106,856	53,428
Governmental activities –					
Total long-term liabilities	\$ 720,386	\$ 187,398	\$ (127,322)	\$ 780,462	\$ 128,603

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(8) 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 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, 2021, 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.

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.

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(8) Florida Retirement System: (Continued)

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). 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
 850-488-5706 or toll free at 877-377-1737

Contributions

The Town participates in certain classes of FRS membership. Each class had descriptions and contribution rates in effect during the year ended September 30, 2021, as follows (contribution rates are in agreement with the actuarially determined rates):

FRS Membership Plan & Class	Through June 30, 2021	After June 30, 2021
Regular Class	10.00%	10.82%
Senior Management	27.29%	29.01%
Special Risk	24.45%	25.89%

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

For the plan year ended June 30, 2021, actual contributions made for Town employees participating in FRS and HIS were as follows:

Town Contributions – FRS	\$ 116,462
Town Contributions – HIS	11,160
Employee Contributions – FRS	20,169

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

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

At September 30, 2021, the entity reported a net pension liability related to FRS and HIS as follows:

<u>Plan</u>	<u>Net Pension Liability</u>
FRS	\$ 230,928
HIS	232,899
Total	<u>\$ 463,827</u>

The net pension liability was measured as of June 30, 2021, 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, 2021 and 2020, the organization's proportionate share of the FRS and HIS net pension liabilities were as follows:

<u>Plan</u>	<u>2021</u>	<u>2020</u>
FRS	0.003057085%	0.002920626%
HIS	0.001898658%	0.001733100%

For the plan year ended June 30, 2021, pension expense was recognized related to the FRS and HIS plans as follows:

FRS	\$ 20,126
HIS	21,135
Total	<u>\$ 41,261</u>

Deferred outflows/inflows related to pensions:

At September 30, 2021, 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	\$ 39,581	\$ -	\$ 7,793	\$ (98)
Changes of assumptions	158,012	-	18,301	(9,596)
Net difference between projected and actual investment earnings	-	(805,650)	243	-
Change in Town's proportionate share	91,697	(41,926)	21,306	(5,907)
Contributions subsequent to measurement date	28,995	-	2,582	-
	<u>\$ 318,285</u>	<u>\$ (847,576)</u>	<u>\$ 50,225</u>	<u>\$ (15,601)</u>

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(8) **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, 2022. 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:

	<u>FRS</u>	<u>HIS</u>	<u>Total</u>
2022	\$ (87,769)	\$ 6,597	\$ (81,172)
2023	(108,078)	5,334	(102,744)
2024	(152,258)	6,639	(145,619)
2025	(205,602)	6,998	(198,604)
2026	(4,579)	5,485	906
Thereafter	-	989	989
Total	<u>\$ (558,286)</u>	<u>\$ 32,042</u>	<u>\$ (526,244)</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 2019 for the period July 1, 2013, through June 30, 2018. 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 2.40%. 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 6.80%. This rate did not change from the prior year rate. 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 2.16% was used to determine the total pension for the program. This rate decreased from the prior year rate, which was 2.21%. Mortality assumptions for both plans were based on the PUB-2010 base table varies by member category and sex, projected generationally with Scale MP-2018 details.

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 2021, 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, 2021

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Cash	1.0%	2.1%
Fixed income	20.0%	3.8%
Global equities	54.2%	8.2%
Real estate	10.3%	7.1%
Private equity	10.8%	11.7%
Strategic investments	3.7%	5.7%
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	6.80%	\$ 1,032,726	\$ 230,928	\$ (439,285)
HIS	2.16%	269,254	232,899	203,114

(9) **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.

(10) **Other Post-Employment Benefits (OPEB):**

The Town provides other postemployment benefits (OPEB) to its employees by providing retirees the option to continue to pay for health insurance in the Town's plan upon retirement at their own cost.

The Town has not implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Statement No. 75 establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities, note disclosures, and required supplementary information.

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(11) Commitments and Contingencies:

The Town is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2021. 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.

Subsequent to September 30, 2021, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending and investment markets have been substantially impacted. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the Town as of June 2, 2022, management believes that an impact on Town's financial position and results of future operations is reasonably possible.

(12) Subsequent Events:

Subsequent to September 30, 2021, Brevard County entered into litigation against the Town regarding resistance to the County's plan to remove thousands of trees from the Town's Environmentally Endangered Lands (EEL). No monetary damages are currently being sought related to this litigation, and the Town intends on aggressively defending this action. The likelihood of an unfavorable outcome at this time is unknown.

(13) 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, as adjusted for the provisions of GASB Statement No. 95, which delayed the implementation dates of certain provisions. Management has not currently determined what, if any, impact implementation of the following will have on the Authority's financial statements:

(a) 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 June 15, 2021.

(b) GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, in May 2020. provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The provisions of GASB 96 are effective for periods beginning after June 15, 2022.

TOWN OF MALABAR, FLORIDA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS
(UNAUDITED)

	As of the Plan Year Ended June 30,						
	2021	2020	2019	2018	2017	2016	2015
Florida Retirement System (FRS)							
Proportion of the net pension liability	0.003057085%	0.003210592%	0.002920626%	0.002641012%	0.002617995%	0.002281738%	0.002550210%
Proportionate share of the net pension liability	\$ 230,928	\$ 1,391,518	\$ 1,005,823	\$ 795,486	\$ 774,385	\$ 576,141	\$ 329,394
Covered payroll	672,309	667,531	579,743	554,851	536,553	484,990	601,618
Proportionate share of the net pension liability as a percentage of covered payroll	34.35%	208.46%	173.49%	143.37%	144.33%	118.79%	54.75%
Plan fiduciary net position as a percentage of the total pension liability	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%
Health Insurance Subsidy Program (HIS)							
Proportion of the net pension liability	0.001898658%	0.001922943%	0.001733100%	0.001698412%	0.001615260%	0.001583577%	0.001815594%
Proportionate share of the net pension liability	\$ 232,899	\$ 234,788	\$ 193,917	\$ 179,762	\$ 177,658	\$ 184,559	\$ 185,162
Covered payroll	672,309	667,531	579,743	554,851	536,553	484,990	601,618
Proportionate share of the net pension liability as a percentage of covered payroll	34.64%	35.17%	33.45%	32.40%	33.11%	38.05%	30.78%
Plan fiduciary net position as a percentage of the total pension liability	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, information is presented for only those years for which information is available.

**TOWN OF MALABAR, FLORIDA
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS
(UNAUDITED)**

	For the Fiscal Year Ended September 30,						
	2021	2020	2019	2018	2017	2016	2015
Florida Retirement System (FRS)							
Contractually required contribution	\$ 119,042	\$ 106,674	\$ 90,560	\$ 75,267	\$ 68,153	\$ 55,644	\$ 62,176
Contributions in relation to the contractually required contribution	119,042	106,674	90,560	75,267	68,153	55,644	62,176
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 674,111	\$ 667,531	\$ 579,743	\$ 554,851	\$ 536,553	\$ 484,990	\$ 601,618
Contributions as a percentage of covered payroll	17.66%	15.98%	15.62%	13.57%	12.70%	11.47%	10.33%
Health Insurance Subsidy Program (HIS)							
Contractually required contribution	\$ 11,190	\$ 11,081	\$ 9,624	\$ 9,211	\$ 8,793	\$ 8,117	\$ 6,940
Contributions in relation to the contractually required contribution	11,190	11,081	9,624	9,211	8,793	8,117	6,940
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 674,111	\$ 667,531	\$ 579,743	\$ 554,851	\$ 536,553	\$ 484,990	\$ 601,618
Contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.66%	1.64%	1.67%	1.15%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, information is presented for only those years for which information is 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 Manager,
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, 2021, 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 2, 2022.

As discussed in Note (10) to the financial statements, the Town has not implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Accounting principles generally accepted in the United States of America require recording of an obligation for postemployment benefits other than pensions, which would increase liabilities, decrease net position, and change the expenses in the governmental activities. The effects of this departure from accounting principles generally accepted in the United States of America on the governmental activities have not been determined.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that 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. 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. We did identify a deficiency in internal control that we consider to be a significant deficiency, as described in the following paragraph.

2021-001 – Reconciliation of Account Balances and Accruals

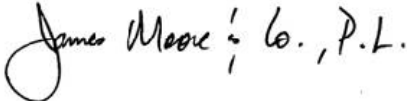
Various audit adjustments were required for expenses or prepaids that were not properly recorded. Proper cutoff is critical for the accuracy of the accrual basis of accounting. We also noted various account balances (cash, receivables, prepaids, inventory, payables, fund balance, revenues, and expenses) that required adjustment in order to be in compliance with U.S. GAAP. We recommend the Town review transactions monthly to ensure completeness and accuracy, as well as significant account balances at year-end to ensure proper accrual-based reconciliations. We also recommend that the Town implement accounting policies and procedures that ensure proper cutoff of expenses.

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*.

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.



Daytona Beach, Florida
June 2, 2022

**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 Manager,
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, 2021, and have issued our report thereon dated June 2, 2022.

As discussed in Note (10) to the financial statements, the Town has not implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Accounting principles generally accepted in the United States of America require recording of an obligation for postemployment benefits other than pensions, which would increase liabilities, decrease net position, and change the expenses in the governmental activities. The effects of this departure from accounting principles generally accepted in the United States of America on the governmental activities have not been determined.

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 2, 2022, 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 comments remain uncorrected from the second preceding audit report. The following is a summary of all findings and recommendations reported in our preceding annual financial audit report:

2020-001 Year-End Accounting Adjustments – Corrective action not taken. See repeat comment 2021-001.

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 identification of 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.b. 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 address in the management letter any recommendations to improve financial management. In connection with our audit, we had the following recommendations:

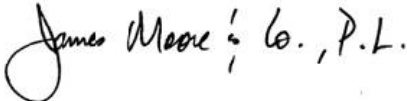
2021-002 Unexpended Fund Balance – Building Permits – Section 553.80(7)(a), Florida Statutes, limits the amount of unexpended building permit funds carried forward to future fiscal years to no more than the Town's average operating budget for enforcing the Florida Building Code for the previous four fiscal years. A local government must use any funds in excess of this limitation to rebate or reduce fees. The Town's unexpended building permit funds in the Community Development Building Fund at September 30, 2021, exceeded the Town's average operating budget for enforcing the Florida Building Code for the previous four fiscal years by substantial amounts. We recommend the Town identify how it intends to reduce the amount of unexpended building code balances in order to comply with Section 553.80(7)(a) of Florida Statutes.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address 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.

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 2, 2022

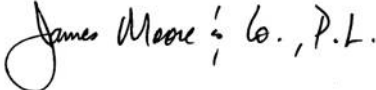
INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

To the Honorable Mayor, Town Council, and Town Manager,
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, 2021. 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, 2021, 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, 2021.



Daytona Beach, Florida
June 2, 2022

MANAGEMENT'S RESPONSE TO FINDINGS AND RECOMMENDATIONS
Independent Auditors' Management Letter
June 2, 2022

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.

2021-001 – Reconciliation of Account Balances and Accruals

This finding requires the Town to provide greater education and training to new employees and will provide continuing education for employees regarding cutoff and account reconciliations. The Town will increase its review to monitor the timely recording of year-end adjustments. The Town will review for proper cutoff at the fiscal year-end to help ensure completeness and accuracy of all financial reporting.

2021-002 Unexpended Fund Balance – Building Permits

This recommendation requires the Town to identify how it intends to reduce the amount of unexpended building code balances in order to comply with Section 553.80(7)(a) of Florida Statutes. The Town already has a plan in place to reduce this balance, primarily by contracting with a new professional firm to provide building inspection and plan review services, which will increase future costs of the department. The Town may also further reduce this balance by continuing to improve operational processes, looking to add an additional employee to the department, and by considering future building projects.