

TOWN OF MALABAR, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2022



TOWN COUNCIL

(AS OF FINANCIAL STATEMENT DATE)

Patrick Reilly, Mayor

Brian Vail

Jim Clevenger

Mary Hofmeister

David Scardino

Marisa Acquaviva

TOWN MANAGER

Matthew Stinnett

TOWN CLERK

Richard Kohler

SPECIAL PROJECTS MANAGER

Lisa Morrell

**TOWN OF MALABAR, FLORIDA
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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Unmodified Opinion on General Fund

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the General Fund for the Town, as of September 30, 2022, 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.

Qualified Opinion on Governmental Activities

In our opinion, except for the effects, if any, of the matter described in the *Basis for Qualified Opinion on the Governmental Activities* section, 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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion on Governmental Activities

As discussed in Note (9) to the financial statements, the Town has not implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accounting principles generally accepted in the United States of America require the recording of an obligation for postemployment benefits other than pensions, which would increase liabilities, decrease net position, and change the expenses in governmental activities. The amount by which this departure from accounting principles generally accepted in the United States of America on the governmental activities has not been determined.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

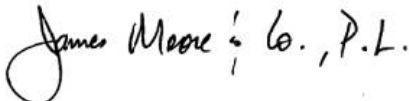
Required Supplementary Information

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 May 10, 2023, 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
May 10, 2023

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, 2022.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the 2022 fiscal year by \$4,008,405 (net position). Of this amount, \$3,049,809 is net investment in capital assets while restricted net position is \$301,480. \$657,116 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The total net position increased \$324,941 from the previous year.
- As of the close of fiscal year 2022, the Town's general fund reported a \$4,302 nonspendable balance, and ending fund balance of \$2,088,184, an increase of \$307,574 in comparison with the prior year. While \$301,480 represents the portion restricted by outside parties, \$93,529 is assigned for subsequent year expenditures, and \$1,650,615 of the governmental funds balance is available for spending at the government's discretion (unassigned fund balance).
- At the end of the 2022 fiscal year, unassigned fund balance for the general fund was \$1,650,615 or 68.6% of total general fund expenditures.
- The Town's financed acquisitions decreased by \$71,507 during the 2022 fiscal year due to ongoing payments on financed purchase agreements.
- The Town also experienced a loss on investment earnings in the current year of \$40,709 after a gain on investment earnings of \$4,491 in the prior year. Investment assets are accounted for at fair value. In a rising interest rate environment, the spot price of certain bonds and securities will decline as reflected in the negative investment earnings number. Near term loss in value is the result of exposure to interest rate risk but will remain unrealized with the principal protected if these assets are held to maturity.

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,			
	2022	2021		
ASSETS				
Current	\$ 3,859,078	\$ 2,000,868	\$ 1,858,210	92.9%
Capital assets, net	3,651,908	3,657,892	(5,984)	-0.2%
Total assets	<u>7,510,986</u>	<u>5,658,760</u>	<u>1,852,226</u>	<u>92.7%</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 422,900</u>	<u>\$ 368,510</u>	<u>\$ 54,390</u>	<u>14.8%</u>
LIABILITIES				
Current liabilities	\$ 1,424,719	\$ 361,275	\$ 1,063,444	294.4%
Long-term liabilities	2,060,607	1,119,354	941,253	84.1%
Total liabilities	<u>\$ 3,485,326</u>	<u>\$ 1,480,629</u>	<u>\$ 2,004,697</u>	<u>378.4%</u>
DEFERRED INFLOWS OF RESOURCES	<u>\$ 440,155</u>	<u>\$ 863,177</u>	<u>\$ (423,022)</u>	<u>-49.0%</u>
NET POSITION				
Net investment in capital assets	\$ 3,049,809	\$ 2,984,286	\$ 65,523	2.2%
Restricted	301,480	230,060	71,420	31.0%
Unrestricted	657,116	469,118	187,998	40.1%
Total net position	<u>\$ 4,008,405</u>	<u>\$ 3,683,464</u>	<u>\$ 324,941</u>	<u>73.3%</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 \$4,008,405 at the close of the 2022 fiscal year. The largest portion of the Town's net position (\$3,049,809 or 76.1%) 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, \$301,480 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 \$657,116 for the 2022 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>2022</u>	<u>2021</u>	<u>Change</u>	<u>Change</u>
Revenues				
Program revenues				
Charges for services	\$ 444,268	\$ 392,802	\$ 51,466	13.1%
Operating grants	123,408	114,735	8,673	7.6%
Capital grants	317,380	-	317,380	100.0%
General revenues				
Property taxes	730,451	639,178	91,273	14.3%
Sales and use taxes	217,741	195,061	22,680	11.6%
Utility taxes	346,814	332,570	14,244	4.3%
Franchise and utility taxes	297,890	263,562	34,328	13.0%
Communications service taxes	107,716	103,887	3,829	3.7%
Intergovernmental shared revenue - non-program	120,134	104,571	15,563	14.9%
Investment earnings	(40,709)	4,491	(45,200)	-1006.5%
Gain on sale of assets	49,239	178,648	(129,409)	-72.4%
Miscellaneous revenues	897	1,754	(857)	-48.9%
Total revenues	<u>2,715,229</u>	<u>2,331,259</u>	<u>383,970</u>	<u>16.5%</u>
Expenses				
General government	953,622	419,706	533,916	127.2%
Public safety	828,074	820,683	7,391	0.9%
Physical environment	128,818	152,262	(23,444)	-15.4%
Transportation	357,901	342,709	15,192	4.4%
Culture and recreation	108,421	46,730	61,691	132.0%
Interest on long-term debt	13,452	15,942	(2,490)	-15.6%
Total expenses	<u>2,390,288</u>	<u>1,798,032</u>	<u>592,256</u>	<u>32.9%</u>
Change in net position	<u>324,941</u>	<u>533,227</u>	<u>(208,286)</u>	<u>-39.1%</u>
Net position, beginning of year	3,683,464	3,168,134	515,330	16.3%
Net position, end of year	<u>\$ 4,008,405</u>	<u>\$ 3,701,361</u>	<u>\$ 307,044</u>	<u>8.3%</u>

Governmental activities

Governmental activities increased the Town's net position by \$324,941. This amount is primarily attributable to ARPA revenue recognized in the current year of \$317,380.

- The Town's total revenues related to governmental activities increased by \$383,970 from the prior year. Factors that contributed to an increase in revenues are an increase in ARPA revenue recognized in the current year of \$317,380 and an increase in property taxes of \$91,273. These increases were partially offset by an investment loss in the current year of \$40,709.
- Expenses related to governmental activities increased by \$592,256 from the prior year. This is related primarily to an increase in general government expenditures of \$533,916, largely from expenditures related to ARPA funding.

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 \$2,088,184, an increase of \$307,574 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 \$1,650,615. 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 68.6% 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 \$1,295,092 less than budgeted amounts primarily due to intergovernmental revenues being under budget by \$1,260,298 due to less ARPA revenue being recognized in the current year than originally budgeted. Expenditures were \$1,728,869 less than budget primarily due to favorable variances in contingency expenditures related to ARPA funding that were delayed (approximately \$1,541,000), in transportation expenditures from projects that were delayed (approximately \$125,000) and in physical environment expenditures that were lower than anticipated (approximately \$133,000).

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, 2022, amounts to \$3,651,908 (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, 2022:

Financed Acquisitions	\$ 427,481
Clean Water State Revolving Fund loan	174,618
Compensated absences	117,669
Total	<u>\$ 719,768</u>

The Town's long-term liabilities increased by \$816,318 during the current fiscal year. This increase was attributable primarily to an increase in the net pension liability. Additional information on the Town's long-term liabilities can be found in Note **Error! Reference source not found.** on page 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, 2022

ASSETS

Cash and cash equivalents	\$ 2,149,580
Investments	1,127,595
Receivables, net	98,281
Due from other governments	67,320
Lease receivable	366,670
Prepays	4,302
Restricted assets:	
Investments	45,330
Capital assets:	
Non-depreciable capital assets	2,082,315
Other capital assets, net of accumulated depreciation	1,569,593
Total assets	<u>\$ 7,510,986</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions	<u>\$ 422,900</u>
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LIABILITIES

Accounts payable and accrued liabilities	\$ 53,258
Unearned revenue	1,357,330
Accrued interest payable	14,131
Noncurrent liabilities:	
Due within one year:	
Bonds and notes payable	8,050
Leases payable	73,683
Compensated absences	58,834
Due in more than one year:	
Bonds and notes payable	166,568
Leases payable	353,798
Compensated absences	58,835
Net pension liability	1,340,839
Total liabilities	<u>\$ 3,485,326</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to leases	\$ 360,306
Deferred inflows related to pensions	79,849
Total deferred inflows of resources	<u>\$ 440,155</u>

NET POSITION

Net investment in capital assets	\$ 3,049,809
Restricted for:	
Building department	301,480
Unrestricted	657,116
Total net position	<u>\$ 4,008,405</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, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 953,622	\$ 312,345	\$ -	\$ 317,380	\$ (323,897)
Public safety	828,074	-	1,000	-	(827,074)
Physical environment	128,818	123,541	-	-	(5,277)
Transportation	357,901	8,382	122,408	-	(227,111)
Culture and recreation	108,421	-	-	-	(108,421)
Interest on long-term debt	13,452	-	-	-	(13,452)
Total governmental activities	<u>\$ 2,390,288</u>	<u>\$ 444,268</u>	<u>\$ 123,408</u>	<u>\$ 317,380</u>	<u>(1,505,232)</u>
General revenues:					
Property taxes					730,451
Sales and use taxes					217,741
Utility taxes					346,814
Franchise and utility taxes					297,890
Communications service taxes					107,716
Intergovernmental shared revenue - non-program					120,134
Investment earnings (loss)					(40,709)
Gain on sale of assets					49,239
Miscellaneous revenues					897
Total general revenues					<u>1,830,173</u>
Change in net position					324,941
Net position - beginning					3,683,464
Net position - ending					<u>\$ 4,008,405</u>

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

**TOWN OF MALABAR, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022**

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 2,149,580
Investments	1,172,925
Receivables, net	98,281
Due from other governments	67,320
Lease receivable	366,670
Prepaid items	4,302
Total assets	<u><u>\$ 3,859,078</u></u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 53,258
Unearned revenues	1,357,330
Total liabilities	<u><u>1,410,588</u></u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to leases	<u>360,306</u>
FUND BALANCE	
Nonspendable:	
Prepaid items	4,302
Restricted:	
Building department	301,480
Committed:	
Stormwater	38,258
Assigned:	
Subsequent year's budget	93,529
Unassigned	1,650,615
Total fund balances	<u><u>2,088,184</u></u>
Total liabilities and fund balance	<u><u>\$ 3,859,078</u></u>

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, 2022

Fund balances - total governmental funds \$ 2,088,184

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	7,228,009	
Less: accumulated depreciation	<u>(3,576,101)</u>	3,651,908

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	(1,340,839)	
Deferred outflows related to pensions	422,900	
Deferred inflows related to pensions	<u>(79,849)</u>	(997,788)

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)	
Leases payable	(427,481)	
Accrued interest payable	(14,131)	
Compensated absences	<u>(117,669)</u>	(733,899)

Net position of governmental activities \$ 4,008,405

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, 2022

	<u>General Fund</u>
Revenues	
Taxes and fees	\$ 1,545,156
Licenses, permits, and assessments	662,182
Intergovernmental	439,465
Charges for services	43,233
Fines and forfeitures	3,363
Investment income (loss)	(29,306)
Miscellaneous	1,897
Total revenues	<u>2,665,990</u>
Expenditures	
Current:	
General government	635,935
Public safety	1,034,913
Physical environment	32,239
Transportation	344,972
Culture and recreation	69,829
Capital outlay	202,857
Debt service:	
Principal	71,507
Interest and fiscal charges	15,403
Total expenditures	<u>2,407,655</u>
Excess (deficiency) of revenues over expenditures	<u>258,335</u>
Other financing sources (uses)	
Proceeds from sale of capital assets	49,239
Net change in fund balance	<u>307,574</u>
Fund balance, beginning of year	1,780,610
Fund balance, end of year	<u><u>\$ 2,088,184</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, 2022**

Net change in fund balances - total governmental funds	\$ 307,574
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	202,857
Depreciation expense	(208,841)
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:	
Principal repayment of general long-term debt	71,507
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	(39,294)
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	1,951
Change in compensated absences liability	(10,813)
Change in net position of governmental activities	\$ 324,941

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, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Revenues				
Taxes	\$ 1,481,246	\$ 1,481,246	\$ 1,545,156	\$ 63,910
Licenses, permits, and assessments	560,818	560,818	662,182	101,364
Intergovernmental	902,154	1,699,763	439,465	(1,260,298)
Charges for services	64,722	64,722	43,233	(21,489)
Fines and forfeitures	400	400	3,363	2,963
Investment income (loss)	3,000	3,000	(29,306)	(32,306)
Miscellaneous	151,133	151,133	1,897	(149,236)
Total revenues	<u>3,163,473</u>	<u>3,961,082</u>	<u>2,665,990</u>	<u>(1,295,092)</u>
Expenditures				
Current:				
General Government:				
Legislative	94,406	81,334	96,588	(15,254)
Executive	100,774	94,173	92,643	1,530
Finance	222,748	197,736	191,692	6,044
Legal	60,000	60,000	100,029	(40,029)
Comprehensive planning	3,500	3,500	-	3,500
Contingency and other	208,341	371,238	154,983	216,255
Public Safety:				
Fire	670,626	513,546	615,054	(101,508)
Protective services	235,942	235,942	155,773	80,169
Disaster relief	797,610	1,595,218	270,441	1,324,777
Physical environment	218,500	218,500	85,283	133,217
Transportation	566,605	613,255	488,430	124,825
Parks and recreation	110,167	102,386	69,829	32,557
Debt Service:				
Principal	49,696	49,696	71,507	(21,811)
Interest and fiscal charges	-	-	15,403	(15,403)
Total expenditures	<u>3,338,915</u>	<u>4,136,524</u>	<u>2,407,655</u>	<u>1,728,869</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(175,442)</u>	<u>(175,442)</u>	<u>258,335</u>	<u>433,777</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	5,000	5,000	49,239	44,239
Issuance of debt	16,000	16,000	-	(16,000)
Total other financing sources (uses)	<u>21,000</u>	<u>21,000</u>	<u>49,239</u>	<u>28,239</u>
Net change in fund balance	<u>(154,442)</u>	<u>(154,442)</u>	<u>307,574</u>	<u>462,016</u>
Fund balance, beginning of year	1,780,610	1,780,610	1,780,610	-
Fund balance, end of year	<u>\$ 1,626,168</u>	<u>\$ 1,626,168</u>	<u>\$ 2,088,184</u>	<u>\$ 462,016</u>

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

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

(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, 2022

(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, 2022

(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.

(h) **Leases receivable**—When engaged in long-term leasing activity as the lessor, the City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.
- The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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

Capital assets are defined by the Town as assets with an initial individual cost of \$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

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

(k) **Deferred outflows/inflows of resources**—In addition to assets, the statement of financial position will, if required, report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the only item in this category consisted of deferred amounts related to pension, as discussed further in Note (7).

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 deferred inflows of resources related to pensions, as discussed further in Note (7), and deferred amounts related to leases, as discussed further in Note (4).

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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

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

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

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

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

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

(m) **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

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

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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

(o) **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.

(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.

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

(3) **Deposits and Investments:** (Continued)

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, 2022:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>	<u>Credit Risk</u>	<u>Fair Value Level</u>
Florida PRIME	\$ 45,330	21 days	AAAm (S&P)	n/a
Mortgage-backed securities	1,127,595	2.5 years	NR	Level 2
Total	<u>\$ 1,172,925</u>			

(4) **Accounts Receivable:**

Accounts Receivable and Due from Other Governments

At September 30, 2022, the Town’s accounts receivables consist of \$98,281, all of which was included in the general fund and governmental activities. In addition to accounts receivable, the Town also recorded \$67,320 in due from other governments at September 30, 2022. There was no allowance for doubtful accounts at September 30, 2022.

Leases Receivable

In 2019, the Town entered into a lease agreement with Crown Castle Towers 09, LLC (Crown) for the leasing and use of land for construction of a cellular tower in Brevard County, which may be renegotiated and renewed at the request of the Town Council or Crown at any time, provided any amendments are in writing and executed by both parties. Based on the terms of the agreement, the initial lease began on March 28, 2019, and is scheduled to expire on May 1, 2039. Annual rentals under the lease agreement include minimum monthly payments of \$2,415 until May 1, 2039.

A summary of the City’s activity surrounding leases receivable as of and for the year ending September 30, 2022, is as follows:

	<u>General Fund</u>
Lease Revenue	\$ 23,941
Interest Revenue	11,403
Lease Receivable	366,670
Deferred Inflows	360,306

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

(5) **Capital Assets:**

Capital asset activity for the fiscal year ended September 30, 2022, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated –				
Land	\$ 1,877,726	\$ -	\$ -	\$ 1,877,726
Construction in progress	390,214	6,080	(191,705)	204,589
Total capital assets, not being depreciated	<u>2,267,940</u>	<u>6,080</u>	<u>(191,705)</u>	<u>2,082,315</u>
Capital assets, being depreciated –				
Buildings and improvements	1,048,156	37,225	(1,400)	1,083,981
Equipment	3,020,736	159,552	(198,406)	2,981,882
Infrastructure	888,126	191,705	-	1,079,831
Total capital assets, being depreciated	<u>4,957,018</u>	<u>388,482</u>	<u>(199,806)</u>	<u>5,145,694</u>
Less: accumulated depreciation	<u>(3,567,066)</u>	<u>(208,841)</u>	<u>199,806</u>	<u>(3,576,101)</u>
Total capital assets, being depreciated, net	<u>1,389,952</u>	<u>179,641</u>	<u>-</u>	<u>1,569,593</u>
Governmental activities capital assets, net	<u>\$ 3,657,892</u>	<u>\$ 185,721</u>	<u>\$ (191,705)</u>	<u>\$ 3,651,908</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 97,168
Public safety	63,602
Cultural and recreational	8,392
Physical environment	26,750
Transportation	12,929
Total depreciation expense - governmental activities	<u>\$ 208,841</u>

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

(6) Long-Term Debt:

For the fiscal year ended September 30, 2022, a summary of the long-term liability transactions for the Town is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Financed acquisitions	\$ 498,988	\$ -	\$ (71,507)	\$ 427,481	\$ 73,683
Clean Water State Revolving Fund	174,618	-	-	174,618	8,050
Compensated absences	106,856	66,184	(55,371)	117,669	58,834
Governmental activities – Total long-term liabilities	<u>\$ 780,462</u>	<u>\$ 66,184</u>	<u>\$ (126,878)</u>	<u>\$ 719,768</u>	<u>\$ 140,567</u>

The Town added a new state revolving fund (SRF) loan during fiscal year 2021 with a year-end balance payable of \$174,618 as of September 30, 2022 based on current year expenditures for drawdowns. A repayment schedule will not be finalized and no payments will be due until fiscal year 2023.

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 8,050	\$ 2,290	\$ 10,340
2024	9,322	1,018	10,340
2025	9,380	960	10,340
2026	9,438	902	10,340
2027	9,496	844	10,340
2028-2032	48,374	3,326	51,700
2033-2037	49,896	1,804	51,700
2038-2040	30,662	358	31,020
Total	<u>\$ 174,618</u>	<u>\$ 11,502</u>	<u>\$ 186,120</u>

Annual debt service requirements to maturity for the Town’s financed purchases are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 73,683	\$ 13,227	\$ 86,910
2024	75,926	10,984	86,910
2025	78,239	8,671	86,910
2026	80,624	6,285	86,909
2027	83,084	3,826	86,910
2028	35,925	1,290	37,215
Total	<u>\$ 427,481</u>	<u>\$ 44,283</u>	<u>\$ 471,764</u>

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

(7) 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, 2022, 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, 2022

(7) **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, 2022, as follows (contribution rates are in agreement with the actuarially determined rates):

FRS Membership Plan & Class	Through June 30, 2022	After June 30, 2022
Regular Class	10.82%	11.91%
Senior Management	29.01%	31.57%
Special Risk	25.89%	27.83%

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, 2022, actual contributions made for Town employees participating in FRS and HIS were as follows:

Town Contributions – FRS	\$ 128,362
Town Contributions – HIS	12,658
Employee Contributions – FRS	22,876

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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

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

At September 30, 2022, the entity reported a net pension liability related to FRS and HIS as follows:

<u>Plan</u>	<u>Net Pension Liability</u>
FRS	\$ 1,119,266
HIS	221,573
Total	<u>\$ 1,340,839</u>

The net pension liability was measured as of June 30, 2022, 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, 2022 and 2021, the organization's proportionate share of the FRS and HIS net pension liabilities were as follows:

<u>Plan</u>	<u>2022</u>	<u>2021</u>
FRS	0.003008131%	0.003057085%
HIS	0.002091966%	0.001898658%

For the plan year ended June 30, 2022, pension expense was recognized related to the FRS and HIS plans as follows:

FRS	\$ 174,056
HIS	16,916
Total	<u>\$ 190,972</u>

Deferred outflows/inflows related to pensions:

At September 30, 2022, 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	\$ 53,159	\$ -	\$ 6,725	\$ (975)
Changes of assumptions	137,842	-	12,701	(34,277)
Net difference between projected and actual investment earnings	73,905	-	321	-
Change in Town's proportionate share	61,590	(42,137)	34,423	(2,460)
Contributions subsequent to measurement date	38,774	-	3,460	-
	<u>\$ 365,270</u>	<u>\$ (42,137)</u>	<u>\$ 57,630</u>	<u>\$ (37,712)</u>

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

(7) **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, 2023. 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>
2023	\$ 78,424	\$ 3,601	\$ 82,025
2024	34,893	5,064	39,957
2025	(17,705)	5,522	(12,183)
2026	179,902	3,907	183,809
2027	8,845	(869)	7,976
Thereafter	-	(767)	(767)
Total	<u>\$ 284,359</u>	<u>\$ 16,458</u>	<u>\$ 300,817</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 6.70%. This rate decreased from the prior year rate of 6.80%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.54% was used to determine the total pension for the program. This rate increased from the prior year rate, which was 2.16%. 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 2022, 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, 2022

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Cash	1.0%	2.6%
Fixed income	19.8%	4.4%
Global equities	54.0%	8.8%
Real estate	10.3%	7.4%
Private equity	11.1%	12.0%
Strategic investments	3.8%	6.2%
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	6.70%	\$ 1,935,694	\$ 1,119,266	\$ 436,636
HIS	3.54%	253,497	221,573	195,156

(8) **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.

(9) **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, 2022

(10) **Commitments and Contingencies:**

The Town is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2022. 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.

(11) **Subsequent Events:**

The Town paid off the balance of its financed purchase agreement for excavator equipment early in October 2022 with a required payment on 10/1/2022 for \$37,074 and an early payment of approximately \$168,000 on 10/19/2022 to fully pay off the remaining balance.

(12) **Recent Accounting Pronouncements:**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for fiscal years subsequent to September 30, 2022, that have not yet been implemented as well as pronouncements implemented in the current fiscal year. Management has not currently determined what, if any, impact implementation of the following will have on the Town's financial statements:

(a) GASB issued Statement No. 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.

(b) GASB issued Statement No. 101, *Compensated Absences*, in June 2022. GASB Statement No. 101 amends various provisions regarding the calculation methodology and required disclosures related to the liability for compensated absences. The provisions for GASB 101 are effective for fiscal years beginning after December 15, 2023.

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,							
	2022	2021	2020	2019	2018	2017	2016	2015
Florida Retirement System (FRS)								
Proportion of the net pension liability	0.003008131%	0.003057085%	0.003210592%	0.002920626%	0.002641012%	0.002617995%	0.002281738%	0.002550210%
Proportionate share of the net pension liability	\$ 1,119,266	\$ 230,928	\$ 1,391,518	\$ 1,005,823	\$ 795,486	\$ 774,385	\$ 576,141	\$ 329,394
Covered payroll	762,539	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	146.78%	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	82.89%	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	0.002091966%	0.001898658%	0.001922943%	0.001733100%	0.001698412%	0.001615260%	0.001583577%	0.001815594%
Proportionate share of the net pension liability	\$ 221,573	\$ 232,899	\$ 234,788	\$ 193,917	\$ 179,762	\$ 177,658	\$ 184,559	\$ 185,162
Covered payroll	762,539	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	29.06%	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	4.81%	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,							
	2022	2021	2020	2019	2018	2017	2016	2015
Florida Retirement System (FRS)								
Contractually required contribution	\$ 138,141	\$ 119,042	\$ 106,674	\$ 90,560	\$ 75,267	\$ 68,153	\$ 55,644	\$ 62,176
Contributions in relation to the contractually required contribution	138,141	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>	<u>\$ -</u>
Covered payroll	\$ 815,439	\$ 674,111	\$ 667,531	\$ 579,743	\$ 554,851	\$ 536,553	\$ 484,990	\$ 601,618
Contributions as a percentage of covered payroll	16.94%	17.66%	15.98%	15.62%	13.57%	12.70%	11.47%	10.33%
Health Insurance Subsidy Program (HIS)								
Contractually required contribution	\$ 13,536	\$ 11,190	\$ 11,081	\$ 9,624	\$ 9,211	\$ 8,793	\$ 8,117	\$ 6,940
Contributions in relation to the contractually required contribution	13,536	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>	<u>\$ -</u>
Covered payroll	\$ 815,439	\$ 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%	1.66%	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 the General Fund of the Town of Malabar, Florida, (the Town) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated May 10, 2023.

As discussed in Note (9) 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.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, 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. We identified certain deficiencies in internal control, as outlined in the following comments 2022-001 and 2022-002, that we consider to be material weaknesses.

2022-001 – Reconciliation of Account Balances and Accruals

Various audit adjustments were required for payables, receivables, 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 (receivables, prepaids, inventory, payables, fund balance, revenues, and expenses) that required adjustment in order to be presented in accordance 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.

2022-002 – Bank Reconciliations and Accounting System Cleanup

We noted various old activity in the Town's accounting system impacting the year-end cash activity and related bank reconciliation, as well as other areas where the Town is not following the Florida Uniform Chart of Accounts and/or prior activity still needs to be cleaned up. To ensure old activity and/or ongoing misstatements in the accounting system do not adversely impact internal reporting or year-end closing procedures, we recommend the Town improve its overall cash and accounting system procedures to ensure all bank reconciliations are reconciled to the ending general ledger balance on a monthly basis, and consider procuring the assistance of an outside accounting firm to aid in the current cleanup and periodic review no less than an annual basis at fiscal year-end.

Report on Compliance and Other Matters

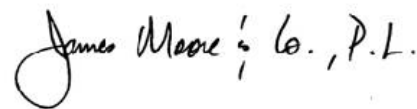
As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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*.

Management's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying Management's Response to Findings and Recommendations section, as listed in the table of contents. The response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Daytona Beach, Florida
May 10, 2023

**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, 2022, and have issued our report thereon dated May 10, 2023.

As discussed in Note (9) 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 May 10, 2023, 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. Current year comment 2022-001 remains 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:

2021-001 Reconciliation of Account Balances and Accruals – Corrective action not taken. See repeat comment 2022-001.

2021-002 Unexpended Fund Balance – Building Permits – Corrective action not taken. See repeat comment 2022-003.

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:

2022-003 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, 2022, 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.

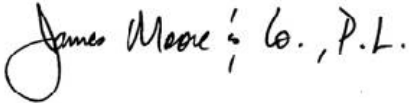
Management's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying Management's Response to Findings and Recommendations section, as listed in the table of contents. The response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Letter

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

Daytona Beach, Florida
May 10, 2023

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

INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

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

We have examined the compliance of the Town of Malabar, Florida (the Town) with Section 218.415, Florida Statutes, *Local Government Investment Policies* (the Statute), for the year ended September 30, 2022. The Town's management is responsible for the compliance with the Statute. Our responsibility is to obtain reasonable assurance by evaluating statutes and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our evaluation based on our examination.

Our examination was conducted in accordance with the attestation standards for a direct examination engagement established by the American Institute of Certified Public Accountants (AICPA). Those standards require that we obtain reasonable assurance by evaluating the Town's compliance with the Statute and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our measurement or evaluation of the Town's compliance. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks that the Town was not in compliance with the Statute in all material respects, 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.

We are required to be independent of the Town, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our examination engagement.

In our opinion, the Town complied, in all material respects, with the Statute for the year ended September 30, 2022.



Daytona Beach, Florida
May 10, 2023

MANAGEMENT'S RESPONSE TO FINDINGS AND RECOMMENDATIONS
Independent Auditors' Management Letter
May 10, 2023

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.

2022-001 – Reconciliation of Account Balances and Accruals

This finding requires the Town to provide greater education and training to its 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. The Town has also contracted with a new vendor for their accounting software that is tailored to government accounting and will make efforts to improve their controls and procedures more effective.

2022-002 – Bank Reconciliations and Accounting System Cleanup

This finding requires the Town improve its overall cash and accounting system procedures to ensure all bank reconciliations are reconciled to the ending general ledger balance on a monthly basis, and to consider procuring the assistance of an outside accounting firm to aid in the current cleanup and periodic review. The Town will work to improve its overall cash and accounting system procedures in these areas, increase review of bank reconciliations, and consider procuring assistance from an outside accounting firm as needed. The Town has also contracted with a new vendor for their accounting software that is tailored to government accounting and will make efforts to improve their controls and procedures more effective.

2022-003 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 technological processes, scaling up operations, and by considering future building projects.