

TOWN OF MALABAR, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2024



TOWN COUNCIL

(AS OF FINANCIAL STATEMENT DATE)

Steve Rivet, Mayor

Julane Kikla

Jim Clevenger

Mary Hofmeister

David Scardino

Marisa Acquaviva

TOWN MANAGER

Lisa Morrell

TOWN CLERK

Richard Kohler

TOWN TREASURER

Makayla Austin

**TOWN OF MALABAR, FLORIDA
TABLE OF CONTENTS
SEPTEMBER 30, 2024**

Financial Section

Independent Auditors’ Report.....	1 - 3
Management’s Discussion and Analysis.....	4 - 8
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position.....	9
Statement of Activities.....	10
Fund Financial Statements	
Balance Sheet—Governmental Funds	11
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position.....	12
Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds.....	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	15
Notes to Financial Statements	16 - 30
Required Supplementary Information	
Schedule of Proportionate Share of Net Pension Liability – FRS/HIS	31
Schedule of Contributions – FRS/HIS	32

Compliance Section

Independent Auditors’ Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with <i>Government Auditing Standards</i>	33 - 35
Independent Auditors’ Management Letter Required by Chapter 10.550, Rules of the State of Florida Office of the Auditor General	36 - 38
Independent Accountants’ Examination Report.....	39
Management’s Response to Findings and Recommendations.....	40



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Qualified and Unmodified 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, 2024, 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, 2024, 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 of the matter described in the *Basis for Qualified Opinion on Governmental Activities* section, the accompanying financial statements 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, 2024, 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 Qualified and Unmodified 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* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' 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.

Matters Giving Rise to 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

Management is responsible for the preparation and fair presentation of the 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 and GAS 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 and GAS, 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.

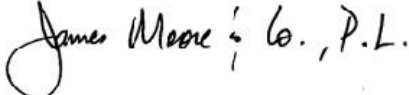
Required Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2025, 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.



Daytona Beach, Florida
June 10, 2025

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, 2024.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the 2024 fiscal year by \$6,406,151 (net position). Of this amount, \$3,681,031 is net investment in capital assets while restricted net position is \$269,903. \$2,455,217 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The total net position increased \$980,868 from the previous year.
- As of the close of fiscal year 2024, the Town's general fund reported \$10,000 of nonspendable balance, and ending fund balance of \$6,698,583, an increase of \$3,628,324 in comparison with the prior year. While \$2,762,314 represents the portion restricted by outside parties, \$499,000 is assigned for subsequent year expenditures, and \$3,278,763 of the governmental funds balance is available for spending at the government's discretion (unassigned fund balance).
- At the end of the 2024 fiscal year, unassigned fund balance for the general fund was \$3,278,763 or 90.21% of total general fund expenditures.
- The Town's financed acquisitions decreased by \$44,729 during the 2024 fiscal year due to ongoing payments on financed purchase agreements.
- The Town also experienced a gain on investment earnings in the current year of \$197,336 after a gain on investment earnings of \$42,252 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 increase as reflected in the positive 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,			
	2024	2023		
ASSETS				
Current	\$ 7,870,284	\$ 4,035,160	\$ 3,835,124	95.0%
Noncurrent	311,851	330,480	\$ (18,629)	-5.6%
Capital assets, net	5,006,914	4,077,534	929,380	22.8%
Total assets	<u>13,189,049</u>	<u>8,443,174</u>	<u>4,745,875</u>	<u>112.2%</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 429,172</u>	<u>\$ 444,334</u>	<u>\$ (15,162)</u>	<u>-3.4%</u>
LIABILITIES				
Current liabilities	\$ 1,529,447	\$ 1,058,910	\$ 470,537	44.4%
DEFERRED INFLOWS OF RESOURCES	<u>\$ 485,990</u>	<u>\$ 401,868</u>	<u>\$ 84,122</u>	<u>20.9%</u>
NET POSITION				
Net investment in capital assets	\$ 3,681,031	\$ 3,705,251	\$ (24,220)	-0.7%
Restricted	269,903	372,689	(102,786)	-27.6%
Unrestricted	2,455,217	1,347,343	1,107,874	82.2%
Total net position	<u>\$ 6,406,151</u>	<u>\$ 5,425,283</u>	<u>\$ 980,868</u>	<u>54.0%</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 \$6,406,151 at the close of the 2024 fiscal year. The largest portion of the Town's net position (\$3,681,031 or 57.5%) 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, \$269,903 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 \$2,455,217 for the 2024 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>		\$	%
	September 30,			
Program revenues				
Charges for services	\$ 442,375	\$ 486,991	\$ (44,616)	-9.2%
Operating grants	132,659	181,259	(48,600)	-26.8%
Capital grants	78,695	581,886	(503,191)	-86.5%
General revenues				
Property taxes	1,650,570	1,497,830	152,740	10.2%
Sales and use taxes	213,115	222,224	(9,109)	-4.1%
Utility taxes	418,394	379,639	38,755	10.2%
Franchise and utility taxes	327,177	316,484	10,693	3.4%
Communications service taxes	119,216	113,896	5,320	4.7%
Intergovernmental shared revenue - non-program	118,775	127,885	(9,110)	-7.1%
Investment earnings	186,985	42,252	144,733	342.5%
Miscellaneous revenues	43,263	9,092	34,171	375.8%
Total revenues	<u>3,731,224</u>	<u>3,959,438</u>	<u>(228,214)</u>	<u>-5.8%</u>
Expenses				
General government	927,606	1,049,931	(122,325)	-11.7%
Public safety	1,106,663	915,047	191,616	20.9%
Physical environment	231,162	113,761	117,401	103.2%
Transportation	335,851	360,434	(24,583)	-6.8%
Culture and recreation	56,422	94,881	(38,459)	-40.5%
Interest on long-term debt	92,652	4,586	88,066	1920.3%
Total expenses	<u>2,750,356</u>	<u>2,538,640</u>	<u>211,716</u>	<u>8.3%</u>
Change in net position	<u>980,868</u>	<u>1,420,798</u>	<u>(439,930)</u>	<u>-31.0%</u>
Net position, beginning of year	5,425,283	4,008,405	1,416,878	35.3%
Net position, end of year	<u>\$ 6,406,151</u>	<u>\$ 5,429,203</u>	<u>\$ 976,948</u>	<u>18.0%</u>

Governmental activities

Governmental activities increased the Town's net position by \$980,868. This amount is primarily attributable to an increase in property taxes and investment earnings along with a decrease in general government expenses.

- The Town's total revenues related to governmental activities decreased by \$228,214 from the prior year. Factors that contributed to a decrease in revenues are a decrease in ARPA revenue recognized in the current year of \$517,157, partially offset by an increase in property taxes of \$152,740 and an increase for investment gains in the current year of \$144,733.
- Expenses related to governmental activities increased by \$211,716 from the prior year. This is related primarily to an increase in public safety expenditures of \$191,616 and physical environment expenditures of \$117,401.

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 \$6,698,583, an increase of \$3,628,324 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 \$3,278,763. 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 90.2% 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 \$304,890 more than budgeted amounts primarily due to investment income revenues being under budget by \$176,481 due to more interest revenue being received in the current year than originally budgeted. Expenditures were \$276,612 more than budget primarily due to unfavorable variances in transportation expenditures from projects that were delayed in prior year and commenced during current year (approximately \$974,897).

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, 2024, amounts to \$5,006,914 (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, 2024:

Financed Acquisitions	\$ 141,474
Clean Water State Revolving Fund loan	176,820
Webster Bank Loan	3,500,000
Compensated absences	115,893
Total	<u>\$ 3,934,187</u>

The Town's long-term liabilities increased by \$3,462,371 during the current fiscal year. This increase was attributable primarily to new debt obtained. Additional information on the Town's long-term liabilities can be found in Note (6), 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 Makayla Austin, Town Treasurer, Town of Malabar, Florida.

TOWN OF MALABAR, FLORIDA
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2024

ASSETS	
Cash and cash equivalents	\$ 2,822,974
Investments	2,075,470
Receivables, net	137,535
Due from other governments	67,767
Leases receivable	331,029
Prepays	10,000
Restricted assets:	
Investments	2,737,360
Capital assets:	
Non-depreciable capital assets	3,124,334
Other capital assets, net of accumulated depreciation	1,882,580
Total assets	<u>\$ 13,189,049</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	<u>\$ 429,172</u>
 LIABILITIES	
Accounts payable and accrued liabilities	\$ 402,337
Unearned revenue	768,790
Accrued interest payable	93,084
Noncurrent liabilities:	
Due within one year:	
Bonds and notes payable	161,368
Leases payable	45,922
Compensated absences	57,946
Due in more than one year:	
Bonds and notes payable	3,515,452
Leases payable	95,552
Compensated absences	57,947
Net pension liability	1,527,682
Total liabilities	<u>\$ 6,726,080</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to leases	\$ 312,425
Deferred inflows related to pensions	173,565
Total deferred inflows of resources	<u>\$ 485,990</u>
 NET POSITION	
Net investment in capital assets	\$ 3,681,031
Restricted for:	
Building department	269,903
Unrestricted	2,455,217
Total net position	<u>\$ 6,406,151</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, 2024**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Governmental activities:					
General government	\$ 927,606	\$ 303,912	\$ -	\$ 78,695	\$ (544,999)
Public safety	1,106,663	-	-	-	(1,106,663)
Physical environment	231,162	136,588	-	-	(94,574)
Transportation	335,851	1,875	132,659	-	(201,317)
Culture and recreation	56,422	-	-	-	(56,422)
Interest on long-term debt	92,652	-	-	-	(92,652)
Total governmental activities	<u>\$ 2,750,356</u>	<u>\$ 442,375</u>	<u>\$ 132,659</u>	<u>\$ 78,695</u>	<u>(2,096,627)</u>
General revenues:					
Property taxes					1,650,570
Sales and use taxes					213,115
Utility taxes					418,394
Franchise and utility taxes					327,177
Communications service taxes					119,216
Intergovernmental shared revenue - non-program					118,775
Investment earnings (loss)					186,985
Miscellaneous revenues					43,263
Total general revenues					<u>3,077,495</u>
Change in net position					980,868
Net position - beginning					5,425,283
Net position - ending					<u>\$ 6,406,151</u>

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

**TOWN OF MALABAR, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 2,822,974
Investments	4,812,830
Receivables, net	137,535
Due from other governments	67,767
Leases receivable	331,029
Prepaid items	10,000
Total assets	\$ 8,182,135
LIABILITIES	
Accounts payable and accrued liabilities	\$ 402,337
Unearned revenues	768,790
Total liabilities	1,171,127
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to leases	312,425
FUND BALANCE	
Nonspendable:	
Prepaid items	10,000
Restricted:	
Building department	269,903
Capital projects	2,492,411
Committed:	
Stormwater	148,506
Assigned:	
Subsequent year's budget	499,000
Unassigned	3,278,763
Total fund balances	6,698,583
Total liabilities and fund balance	\$ 8,182,135

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, 2024**

Fund balances - total governmental funds		\$ 6,698,583
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	8,897,912	
Less: accumulated depreciation	<u>(3,890,998)</u>	5,006,914
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	(1,527,682)	
Deferred outflows related to pensions	429,172	
Deferred inflows related to pensions	<u>(173,565)</u>	(1,272,075)
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	(3,676,820)	
Leases payable	(141,474)	
Accrued interest payable	(93,084)	
Compensated absences	<u>(115,893)</u>	(4,027,271)
Net position of governmental activities		<u><u>\$ 6,406,151</u></u>

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, 2024

	General Fund
Revenues	
Taxes and fees	\$ 2,568,239
Licenses, permits, and assessments	692,546
Intergovernmental	197,470
Charges for services	32,296
Fines and forfeitures	74
Investment income (loss)	197,336
Miscellaneous	14,070
Total revenues	3,702,031
Expenditures	
Current:	
General government	806,185
Public safety	1,040,710
Physical environment	85,934
Transportation	326,628
Culture and recreation	22,216
Capital outlay	1,222,483
Debt service:	
Principal	53,989
Interest and fiscal charges	76,252
Total expenditures	3,634,397
Excess (deficiency) of revenues over expenditures	67,634
Other financing sources (uses)	
Proceeds from sale of capital assets	60,690
Issuance of debt	3,500,000
Total other financing sources (uses)	3,560,690
Net change in fund balance	3,628,324
Fund balance, beginning of year	3,070,259
Fund balance, end of year	\$ 6,698,583

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, 2024

Net change in fund balances - total governmental funds	\$ 3,628,324
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	1,222,483
Depreciation expense	(261,606)
Bond and loan proceeds are reported as financing sources in the governmental funds. However, the issuance of debt is reported as long-term debt payable in the statement of net position. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment of debt principal reduces long-term liabilities in the statement of net position. These amounts are as follows:	
Proceeds from issuance of long-term debt	(3,500,000)
Principal repayment of general long-term debt	53,989
In the statement of activities, only the gain/loss on sale/disposal of capital assets is reported. However, in governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold/disposed.	
	(31,497)
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	(26,780)
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	(87,685)
Change in compensated absences liability	(16,360)
Change in net position of governmental activities	<u>\$ 980,868</u>

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, 2024

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 2,466,124	\$ 2,466,124	\$ 2,568,239	\$ 102,115
Licenses, permits, and assessments	661,107	661,107	692,546	31,439
Intergovernmental	145,410	145,410	197,470	52,060
Charges for services	36,545	36,545	32,296	(4,249)
Fines and forfeitures	500	500	74	(426)
Investment income (loss)	20,855	20,855	197,336	176,481
Miscellaneous	66,600	66,600	14,070	(52,530)
Total revenues	<u>3,397,141</u>	<u>3,397,141</u>	<u>3,702,031</u>	<u>304,890</u>
Expenditures				
Current:				
General Government:				
Legislative	188,381	168,398	173,633	(5,235)
Executive	229,824	274,517	274,501	16
Finance	174,015	98,484	102,411	(3,927)
Legal	65,000	69,600	44,600	25,000
Comprehensive planning	3,500	-	-	-
Contingency and other	294,972	276,489	211,040	65,449
Public Safety:				
Fire	978,944	784,849	738,856	45,993
Protective services	336,499	309,605	316,577	(6,972)
Disaster relief	1,350,194	658,678	5,172	653,506
Physical environment	122,437	130,233	85,934	44,299
Transportation	1,123,989	514,320	1,489,217	(974,897)
Parks and recreation	81,260	62,215	62,215	-
Debt Service:				
Principal	10,670	10,397	53,989	(43,592)
Interest and fiscal charges	-	-	76,252	(76,252)
Total expenditures	<u>4,959,685</u>	<u>3,357,785</u>	<u>3,634,397</u>	<u>(276,612)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,562,544)</u>	<u>39,356</u>	<u>67,634</u>	<u>28,278</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	15,000	15,000	60,690	45,690
Issuance of debt	-	-	3,500,000	3,500,000
Total other financing sources (uses)	<u>15,000</u>	<u>15,000</u>	<u>3,560,690</u>	<u>3,545,690</u>
Net change in fund balance	<u>(1,547,544)</u>	<u>54,356</u>	<u>3,628,324</u>	<u>3,573,968</u>
Fund balance, beginning of year	3,070,259	3,070,259	3,070,259	-
Fund balance, end of year	<u>\$ 1,522,715</u>	<u>\$ 3,124,615</u>	<u>\$ 6,698,583</u>	<u>\$ 3,573,968</u>

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

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

(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, 2024

(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 statements, 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, 2024

(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 Town 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 Town 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, 2024

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

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

- The Town 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 Town 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, 2024

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

(l) **Fund balance**—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, it 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, 2024

(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, 2024

(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. Per the Town’s investment policy, interest rate risk will be minimized by structuring investments so that maturities meet the cash requirements and by investing operating funds in shorter-term investments.

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

The Town’s investments consisted of the following at September 30, 2024:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>	<u>Credit Risk</u>	<u>Fair Value Level</u>
Florida PRIME	\$ 2,737,360	39 days	AAAm (S&P)	n/a
Mortgage Backed Securities - Fixed Income	115,961	12.5 years	NR	Level 2
Agency Bonds – Fixed Income	775,883	2.5 years	AAAm (S&P)	Level 1
US Treasury Obligations	1,064,827	7 months	AAAm (S&P)	Level 1
Asset Backed Securities – Fixed Income	118,799	9 years	NR	Level 2
Total	\$ <u>4,812,830</u>			

(4) **Accounts Receivable:**

Accounts Receivable and Due from Other Governments

At September 30, 2024, the Town’s accounts receivable consists of \$137,535, all of which was included in the general fund and governmental activities. In addition to accounts receivable, the Town also recorded \$67,767 in due from other governments at September 30, 2024. There was no allowance for doubtful accounts at September 30, 2024.

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 Town’s activity surrounding leases receivable as of and for the year ending September 30, 2024, is as follows:

	<u>General Fund</u>
Lease Revenue	\$ 23,941
Interest Revenue	10,351
Leases Receivable	331,029
Deferred Inflows	312,425

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

(5) **Capital Assets:**

Capital asset activity for the fiscal year ended September 30, 2024, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated –				
Land	\$ 1,902,726	\$ -	\$ -	\$ 1,902,726
Construction in progress	214,019	1,007,589	-	1,221,608
Total capital assets, not being depreciated	<u>2,116,745</u>	<u>1,007,589</u>	<u>-</u>	<u>3,124,334</u>
Capital assets, being depreciated –				
Buildings and improvements	1,171,796	-	-	1,171,796
Equipment	3,126,295	174,895	(228,030)	3,073,160
Infrastructure	<u>1,488,623</u>	<u>39,999</u>	<u>-</u>	<u>1,528,622</u>
Total capital assets, being depreciated	5,786,714	214,894	(228,030)	5,773,578
Less: accumulated depreciation	<u>(3,825,925)</u>	<u>(261,606)</u>	<u>196,533</u>	<u>(3,890,998)</u>
Total capital assets, being depreciated, net	1,960,789	(46,712)	(31,497)	1,882,580
Governmental activities capital assets, net	<u>\$ 4,077,534</u>	<u>\$ 960,877</u>	<u>\$(31,497)</u>	<u>\$ 5,006,914</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 117,221
Public safety	71,125
Cultural and recreational	12,310
Physical environment	48,021
Transportation	<u>12,929</u>
Total depreciation expense - governmental activities	<u>\$ 261,606</u>

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

(6) Long-Term Debt:

For the fiscal year ended September 30, 2024, 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	\$ 186,203	\$ -	\$ (44,729)	\$ 141,474	\$ 45,922
Clean Water State Revolving Fund	186,080	-	(9,260)	176,820	9,318
Webster Bank Loan	-	3,500,000	-	3,500,000	152,050
Compensated absences	99,533	84,425	(68,065)	115,893	57,946
Governmental activities – Total long-term liabilities	<u>\$ 471,816</u>	<u>\$ 3,584,425</u>	<u>\$ (122,054)</u>	<u>\$ 3,934,187</u>	<u>\$ 265,236</u>

The Town added a state revolving fund (SRF) loan during fiscal year 2021 with a year-end balance payable of \$176,820 as of September 30, 2024 based on current year expenditures for drawdowns. A repayment schedule was finalized and payments are due in August and September beginning August 15, 2023.

The Town added a Webster Bank loan during the fiscal year 2024 with a year-end balance payable of \$3,500,000 as of September 30, 2024. Payments are due in April and October beginning April 1, 2024.

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 161,368	\$ 175,017	\$ 336,385
2026	186,215	166,606	352,821
2027	194,234	157,361	351,595
2028	202,602	147,705	350,307
2029	211,351	137,615	348,966
2030-2034	1,202,343	520,184	1,722,527
2035-2039	1,487,892	190,816	1,678,708
2040-2042	30,815	342	31,157
Total	<u>\$ 3,676,820</u>	<u>\$ 1,495,646</u>	<u>\$ 5,172,466</u>

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 45,922	\$ 3,774	\$ 49,696
2026	47,147	2,549	49,696
2027	48,405	1,291	49,696
Total	<u>\$ 141,474</u>	<u>\$ 7,614</u>	<u>\$ 149,088</u>

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

(7) Florida Retirement System:

Plan Description and Administration

The Town participates in the Florida Retirement System (FRS), a multiple-employer, cost-sharing defined benefit 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, 2024, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$7.50. The minimum payment is \$45, and the maximum payment is \$225 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 96 months after electing to participate, except that certain instructional personnel may participate for up to 120 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, 2024

(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, 2024, as follows (contribution rates are in agreement with the actuarially determined rates):

FRS Membership Plan & Class	Through June 30, 2024	After June 30, 2024
Regular Class	13.57%	13.63%
Senior Management	34.52%	34.52%
Special Risk	32.67%	32.79%

Current-year employer HIS contributions were made at a rate of 2.00% of covered payroll,, which are included in the above rates.

For the plan year ended June 30, 2024, actual contributions made for Town employees participating in FRS and HIS were as follows:

Town Contributions – FRS	\$ 177,789
Town Contributions – HIS	17,671
Employee Contributions – FRS	26,506

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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

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

At September 30, 2024, the entity reported a net pension liability related to FRS and HIS as follows:

<u>Plan</u>	<u>Net Pension Liability</u>
FRS	\$ 1,214,580
HIS	313,102
Total	<u>\$ 1,527,682</u>

The net pension liability was measured as of June 30, 2024, 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 Town'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, 2024 and 2023, the Town's proportionate share of the FRS and HIS net pension liabilities were as follows:

<u>Plan</u>	<u>2024</u>	<u>2023</u>
FRS	0.003139690%	0.003257972%
HIS	0.002087212%	0.002052266%

For the plan year ended June 30, 2024, pension expense was recognized related to the FRS and HIS plans as follows:

FRS	\$ 201,123
HIS	20,025
Total	<u>\$ 221,148</u>

Deferred outflows/inflows related to pensions:

At September 30, 2024, 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	\$ 122,705	\$ -	\$ 3,023	\$ (601)
Changes of assumptions	166,469	-	5,541	(37,067)
Net difference between projected and actual investment earnings	-	(80,727)	-	(113)
Change in proportionate share	58,972	(50,975)	23,486	(4,082)
Contributions subsequent to measurement date	44,195	-	4,781	-
Total	<u>\$ 392,341</u>	<u>\$ (131,702)</u>	<u>\$ 36,831</u>	<u>\$ (41,863)</u>

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

(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, 2025. 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:

	FRS	HIS	Total
2025	\$ (8,253)	\$ 1,907	\$ (6,346)
2026	198,533	295	198,828
2027	19,682	(4,477)	15,205
2028	(2,398)	(4,372)	(6,770)
2029	8,880	(2,537)	6,343
Thereafter	-	(629)	(629)
	\$ 216,444	\$ (9,813)	\$ 206,631

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 2024 for the period July 1, 2018, through June 30, 2023. 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 3.50%. Both the discount rate and the long-term expected rate of return used for FRS investments is 6.70%. This rate is consistent with the prior year rate of 6.70%. 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 3.93% was used to determine the total pension for the program. This rate increased from the prior year rate, which was 3.65%. Mortality assumptions for both plans were based on the PUB-2010 base table varies by member category and sex, projected generationally with Scale MP-2021.

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 2024, 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, 2024

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

Asset Class	Target Allocation	Long-Term Arithmetic Expected Rate of Return
Cash	1.0%	3.3%
Fixed income	29.0%	5.7%
Global equities	45.0%	8.6%
Real estate	12.0%	8.1%
Private equity	11.0%	12.4%
Strategic investments	2.0%	6.6%
Total	100.0%	

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:

Plan	Current Discount Rate	NPL with 1% Decrease	NPL at Current Discount Rate	NPL with 1% Increase
FRS	6.70%	\$ 2,136,403	\$ 1,214,580	\$ 442,357
HIS	3.93%	356,427	313,102	277,136

(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, 2024

(10) **Commitments and Contingencies:**

The Town is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2024. 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) **Recent Accounting Pronouncements:**

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

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.

GASB issued Statement No. 102, *Certain Risk Disclosures*, in December 2023. GASB Statement No. 102 amends GASB Statement No. 62 regarding the disclosure of a government's vulnerability to risks related to certain concentrations and constraints that limit its ability to acquire resources or control spending. The provisions for GASB 102 are effective for fiscal years beginning after June 15, 2024.

GASB issued Statement No. 103, *Financial Reporting Model Improvements*, in April 2024. GASB Statement No. 103 amends various provisions regarding the calculation methodology and required disclosures related to the liability for compensated absences. The provisions for GASB 103 are effective for fiscal years beginning after June 15, 2025.

GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, in September 2024. GASB Statement No. 104 amends GASB Statement No. 62 regarding the disclosure of a government's vulnerability to risks related to certain concentrations and constraints that limit its ability to acquire resources or control spending. The provisions for GASB 104 are effective for fiscal years beginning after June 15, 2025.

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,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Florida Retirement System (FRS)										
Proportion of the net pension liability	0.003139690%	0.003257972%	0.003008131%	0.003057085%	0.003210592%	0.002920626%	0.002641012%	0.002617995%	0.002281738%	0.002550210%
Proportionate share of the net pension liability	\$ 1,214,580	\$ 1,298,199	\$ 1,119,266	\$ 230,928	\$ 1,391,518	\$ 1,005,823	\$ 795,486	\$ 774,385	\$ 576,141	\$ 329,394
Covered payroll	883,548	813,263	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	137.47%	159.63%	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	83.70%	82.38%	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	0.002087212%	0.002052266%	0.002091966%	0.001898658%	0.001922943%	0.001733100%	0.001698412%	0.001615260%	0.001583577%	0.001815594%
Proportionate share of the net pension liability	\$ 313,102	\$ 325,927	\$ 221,573	\$ 232,899	\$ 234,788	\$ 193,917	\$ 179,762	\$ 177,658	\$ 184,559	\$ 185,162
Covered payroll	883,548	813,263	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	35.44%	40.08%	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	4.80%	4.12%	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%

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

	For the Fiscal Year Ended September 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Florida Retirement System (FRS)										
Contractually required contribution	\$ 176,135	\$ 163,804	\$ 138,141	\$ 119,042	\$ 106,674	\$ 90,560	\$ 75,267	\$ 68,153	\$ 55,644	\$ 62,176
Contributions in relation to the contractually required contribution	176,135	163,804	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>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 911,574	\$ 815,844	\$ 815,439	\$ 674,111	\$ 667,531	\$ 579,743	\$ 554,851	\$ 536,553	\$ 484,990	\$ 601,618
Contributions as a percentage of covered payroll	19.32%	20.08%	16.94%	17.66%	15.98%	15.62%	13.57%	12.70%	11.47%	10.33%
Health Insurance Subsidy Program (HIS)										
Contractually required contribution	\$ 18,231	\$ 14,261	\$ 13,536	\$ 11,190	\$ 11,081	\$ 9,624	\$ 9,211	\$ 8,793	\$ 8,117	\$ 6,940
Contributions in relation to the contractually required contribution	18,231	14,261	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>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 911,574	\$ 815,844	\$ 815,439	\$ 674,111	\$ 667,531	\$ 579,743	\$ 554,851	\$ 536,553	\$ 484,990	\$ 601,618
Contributions as a percentage of covered payroll	2.00%	1.75%	1.66%	1.66%	1.66%	1.66%	1.66%	1.64%	1.67%	1.15%



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 and Town Council,
Town of Malabar, Florida:

We have audited, in accordance with the 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 (*Government Auditing Standards*), 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, 2024, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 10, 2025.

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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Town's financial statements will not be prevented, or detected and corrected on a timely basis. We identified certain deficiencies in internal control, as outlined in the following comments 2024-001 and 2024-002, that we consider to be material weaknesses.

2024-001 – Reconciliation of Account Balances and Accruals

Various audit adjustments were required for several expenses, prepaids and fixed assets which were required to be recorded during the year ended September 30, 2024. Proper cutoff is critical for the accuracy of the accrual basis of accounting. We also noted various account balances (cash, receivables, prepaids, inventory, debt, 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. As part of the corrective action over these areas, we recommend the Town consider contracting with a CPA to provide assistance with year-end close procedures and clean-up of account balances to comply with the requirements of generally accepted accounting principles.

2024-002 – Bank and Investment Account Reconciliations

We noted several variance where the bank reconciliations did not agree to the general ledger or where accounts were not adjusted from the prior year balance. The variance stemmed from adjustments that needed to be posted or removed from the cash accounts. JMCo recommends that all activity related to the bank accounts or any new accounts be recorded and all activity reconciled each month. This process will substantially increase control over cash and eliminate errors and or other types of reporting deficiencies.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified certain deficiencies in internal control, as outlined in the following comments 2024-003 and 2024-004, that we consider to be significant deficiencies.

2024-003 – Budgetary Noncompliance

During our testing of budgeted expenditures, we noted that the Town amended the budget to agree to match budgeted expenditures to actual expenditures in November 2024. After subsequent adjustments, actual expenditures for the year under audit exceeded the budgeted expenditures. We recommend that the Town does create a year-end amendment to match budgeted expenditures to actual expenditures since subsequent adjustments to expenditures are often needed, which may cause actual expenditures to be over budget.

2024-004 – Journal Entries

We noted that certain journal entries selected for testing were not supported by adequate documentation. We were able to satisfy ourselves that such entries were appropriate upon review of corroborating evidence. However, we strongly recommend that all journal entries always be supported by appropriate documentation. Documentation of journal entries serves as an important accounting record, facilitates adequate review, and allows for future review of entries posted.

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 financial statements. 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

Government Auditing Standards requires the auditor to perform limited procedures on 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 Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James Moore & Co., P.L.

Daytona Beach, Florida
June 10, 2025

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

To the Honorable Mayor and Town Council,
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, 2024, and have issued our report thereon dated June 10, 2025.

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 June 10, 2025, 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 comments 2024-001, 2024-002, and 2024-005 remain uncorrected from the second preceding audit report. The following is a summary of all findings and recommendations reported in our preceding annual financial audit report:

2023-001 Reconciliation of Account Balances and Accruals – Corrective action not taken. See repeat comment 2024-001.

2023-002 Bank Reconciliations and Accounting System Cleanup – Corrective action not fully taken. See repeat comment 2024-002.

2023-003 Unexpended Fund Balance – Building Permits – Corrective action not taken.
See repeat comment 2024-005.

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:

2024-005 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, 2024, 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.

Property Assessed Clean Energy (PACE) Programs

The following items have been provided to us to comply with state reporting requirements and have not been audited by us. We did not audit the following information within this section, nor were we required to perform any procedures to verify the accuracy, or the completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on this data.

As required by Section 10.554(1)(i)6.a., Rules of the Auditor General, the Town did not have a property assessed clean energy (PACE) program that finances qualifying improvements authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, operated within the Town’s geographical boundaries during the fiscal year under audit.

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to

provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units; therefore, we did not note any such component units that failed to provide the necessary information, nor is any specific special district information required to be reported

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.

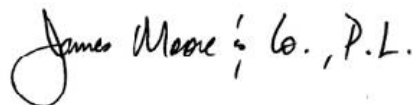
Management's Response to Findings

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
June 10, 2025

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'.

INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

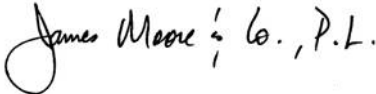
To the Honorable Mayor and Town Council,
Town of Malabar, Florida

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, 2024. The Town's management is responsible for the Town's compliance with those statutory requirements. Our responsibility is to obtain reasonable assurance by evaluating the Town's compliance with those requirements 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 AICPA. Those standards require that we obtain reasonable assurance by evaluating whether the Town complied with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2024, and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of evaluation of the Town's compliance based on our examination for the year ended September 30, 2024. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks that the Town is not in compliance with those requirements 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 of Malabar, Florida complied with the aforementioned requirements for the year ended September 30, 2024, in all material aspects.



Daytona Beach, Florida
June 10, 2025

MANAGEMENT'S RESPONSE TO FINDINGS AND RECOMMENDATIONS

Independent Auditors' Management Letter

September 11, 2025

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.

2024-001 - Reconciliation of Account Balances and Accruals

The Town acknowledges the continued finding related to the reconciliation of account balances and accruals. Significant progress has been made during the FY23/24 fiscal year to address this issue through both personnel stability and system improvements.

Since the prior audit, the Town has successfully filled key charter officer positions, including the Town Treasurer (appointed January 17, 2024), Town Manager (appointed November 8, 2023), and Town Clerk. With all charter roles filled, responsibilities have been clearly defined, allowing for a more structured approach to financial operations, including account reconciliation.

The Town's new financial software, implemented in July 2023, has provided essential tools to facilitate improved budgeting, real-time financial tracking, and more efficient year-end closing processes. Staff have continued monthly reconciliation efforts using this system and have produced unaudited monthly financial reports to provide transparency to the Town Council and the public.

Although improvements have been made, the FY23/24 fiscal year included a transitional period, particularly in early 2024, as new staff acclimated to their roles and the financial system. The Town recognizes that full resolution of this finding requires ongoing diligence and refinement of reconciliation procedures. Efforts are underway to formalize written procedures, improve documentation, and further automate reconciliations through system capabilities.

The Town is committed to maintaining accurate financial records and ensuring timely reconciliations moving forward. We anticipate that the continued stability in staffing, combined with the capabilities of the financial system, will allow this finding to be fully addressed in the upcoming fiscal year.

On September 8, 2025, at the regular Town Council meeting, Council approved the Town to hire Carr, Riggs, and Ingram (CRI) as the Town's Certified Public Accounting (CPA) firm. CRI will guide the Town in improving oversight and addressing reconciliation and year-end close-out procedures. Their services will include monthly reconciliation reviews, financial reporting quality control, and cleanup of prior fiscal year records.

2024-002 - Bank and Investment Account Reconciliations

The Town acknowledges the continued audit finding related to the reconciliation of bank and investment accounts. Over the course of FY23/24, the Town has implemented several measures to address this concern and improve reconciliation practices.

The new financial software implemented in July 2023 has enhanced the Town's ability to manage and reconcile all bank accounts. The system allows for real-time transaction tracking and improved alignment of bank activity with the General Ledger. All primary bank accounts are now reconciled on a monthly basis, and unaudited financial reports are presented regularly to both the Town Council and the public. These reports reflect reconciled bank balances aligned with the General Ledger, with procedures in place to avoid post-reconciliation cash adjustments for payments made after month-end.

The Town will begin incorporating investment and deposit records into the General Ledger as part of its continued efforts to improve financial transparency and accuracy. Starting in the upcoming fiscal year, the Treasurer's Report will include quarterly updates on investment and deposit balances to enhance Council oversight and ensure more complete financial reporting.

With the Treasurer position filled as of January 17, 2024, the Town now has consistent oversight of financial reconciliations and has begun formalizing procedures to ensure timely, accurate, and well documented bank and investment reconciliations. With the approval of CRI as the Town's CPA firm on September 8, 2025, additional professional support will also be provided to ensure reconciliations are consistently accurate and auditable.

2024-003 - Budgetary Noncompliance

The Town acknowledges the findings related to budgetary noncompliance for the fiscal year under audit. To maintain transparency and ensure the Town's records reflected the most accurate financial position, a final budget amendment was adopted in November 2024 to align budgeted revenues and expenditures with year-to-date actuals. However, the Town now understands that this practice did not leave sufficient budgetary margin for subsequent year-end accruals and audit adjustments, which resulted in actual expenditures exceeding the amended budget.

This finding highlights an important process improvement opportunity. Moving forward, the Town will avoid amending the final budget to match actual revenues and expenditures exactly prior to the close of the fiscal year. Instead, the Town will retain a reasonable buffer within the amended budget to accommodate any late-year or audit-related adjustments. A final year-end amendment will be reviewed and structured with this principle in mind to ensure continued compliance.

In addition, the Town will utilize enhanced reporting from the new financial system to better track and project end-of-year expenditures. These reports will support more accurate forecasting and timely recommendations for amendments that preserve budget compliance without over-correcting. The Town will also coordinate with CRI to review budgetary practices and provide professional oversight as needed.

2024-004 - Journal Entries

The Town acknowledges the audit finding related to incomplete documentation for certain journal entries during the fiscal year under audit. These entries primarily reflect manual adjustments, reversals, and corrections made during the early stages of onboarding new financial staff, who assumed the role mid-year while also learning the Town's financial system and procedures.

While all journal entries were ultimately determined to be appropriate and supported by corroborating evidence, the Town agrees that thorough documentation is essential to maintaining sound accounting records, supporting internal review, and enabling future audit verification.

To address this, the Town has implemented new internal practices to ensure that all journal entries, especially manual ones, are consistently supported by clear explanations, backup documentation, and approval trails. These procedures include a standardized journal entry form to accompany each entry, outlining the purpose, date, account impact, and justification for the adjustment.

The Town is also documenting reversal entries with cross-references to the original entry and including explanatory notes where needed to clarify corrections. These improvements are part of a broader effort to strengthen internal controls, improve transparency, and ensure all financial entries are auditable and clearly traceable. Since the start of the current fiscal year,

the Town Treasurer has prioritized strengthening journal entry procedures by incorporating consistent supporting documentation and clear explanatory notes. With CRI's engagement beginning September 8, 2025, the Town will receive additional professional review of journal entries to ensure compliance and best practices.

2024-005 - Unexpended Fund Balance - Building Permits

The Town acknowledges the audit finding regarding the unexpended building permit funds exceeding the allowable threshold established under Section 553.80(7)(a), Florida Statutes. Specifically, the Town recognizes that the fund balance within the Community Development Building Fund at September 30, 2024, substantially exceeded the average operating budget for enforcing the Florida Building Code over the previous four fiscal years.

The Town has taken steps to reduce the fund balance through eligible expenditures, including the continued use of third-party professional services for building inspection, plan review, fire review, and permitting; the addition of a full-time Permit Technician; and the implementation of a public-facing digital permitting portal. The Town also initiated a back-scanning project to digitize historical permit files, supported by the purchase of a wide-format scanner and related technology, expenses that are appropriate uses of the building permit revenue under state law.

Looking ahead, the Town is evaluating the use of a portion of the building fund reserves to support the construction of a new Town Hall facility. To the extent that space within the facility is dedicated to the Building Department's functions, an appropriate share of construction and occupancy costs may be allocated to the Building Fund, consistent with statutory guidelines. CRI will provide oversight to ensure these expenditures comply with statutory requirements and audit recommendations.



TOWN OF MALABAR

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June 10, 2025

James Moore & Co., P.L.
121 Executive Circle
Daytona Beach, FL 32114

This representation letter is provided in connection with your audit of the financial statements of the Town of Malabar, Florida (the Town), which comprise the statement of financial position as of September 30, 2024, and the related statements of operations and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements of the various opinion units are presented fairly, in all material respects, in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information such that, in the light of surrounding circumstances, 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.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of June 10, 2025:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated May 8, 2024, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation, and maintenance of the system 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
5. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
6. We have a process to track the status of audit findings and recommendations.
7. We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
8. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures, are appropriate to achieve recognition, measurement, or disclosure that is reasonable in the context of the applicable financial reporting framework.
9. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
10. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

11. The effects of uncorrected misstatements, if any, summarized below and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the applicable opinion units and to the financial statements as a whole:
 - None noted.
12. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
13. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
14. All funds and activities are properly classified.
15. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
16. All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
17. Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
18. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
19. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
20. All interfund and intra-entity transactions and balances have been properly classified and reported.
21. Special items and extraordinary items have been properly classified and reported.
22. Deposit and investment risks have been properly and fully disclosed.
23. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
24. There have been no cybersecurity breaches or other cyber events whose effects should be considered for disclosure in the financial statements, as a basis for recording a loss contingency, or otherwise considered when preparing the financial statements.
25. All required supplementary information is measured and presented within the prescribed guidelines.
26. With regard to investments and other instruments reported at fair value:
 - a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
27. With respect to preparation of the financial statements, we have performed the following:

- a. Made all management decisions and performed all management functions;
- b. Assigned a competent individual to oversee the services;
- c. Evaluated the adequacy of the services performed;
- d. Evaluated and accepted responsibility for the result of the service performed; and
- e. Established and maintained controls, including a process to monitor the system of internal control.

Information Provided

28. We have provided you with:

- a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
- b. Additional information that you have requested from us for the purpose of the audit; and
- c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- d. A written acknowledgement of all the documents that we expect to issue that will be included in the annual report and the planned timing and method of issuance of that annual report;
- e. A final version of the annual report (including all the documents that, together, comprise the annual report) in a timely manner prior to the date of the auditor's report.

29. The financial statements and any other information included in the annual report are consistent with one another, and the other information does not contain any material misstatements.

30. All transactions have been recorded in the accounting records and are reflected in the financial statements.

31. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

32. We have provided to you our evaluation of the entity's ability to continue as a going concern, including significant conditions and events present, and we believe that our use of the going concern basis of accounting is appropriate. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

- a. Management;
- b. Employees who have significant roles in internal control; or
- c. Others where the fraud could have a material effect on the financial statements.

33. We have no knowledge of allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.

34. We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

35. We have no knowledge of any instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.

36. We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that you have reported to us.

37. We have a process to track the status of audit findings and recommendations.

38. We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
39. We have provided views on your reported audit findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
40. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
41. We have disclosed to you the identity of all the entity's related parties and the nature of all the related party relationships and transactions of which we are aware.
42. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
43. The Town has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
44. We have disclosed to you all guarantees, whether written or oral, under which The Town is contingently liable.
45. We have disclosed to you all nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, for those guarantees where it is more likely than not that the entity will make a payment on any guarantee.
46. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
47. There are no:
 - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
 - d. Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
48. The Town has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
49. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
50. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB-62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
51. We agree with the findings of the specialist in evaluating the Pension Plan liability and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to the

specialist with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialist.

52. We believe that the actuarial assumptions and methods used to measure the pension liability and costs for financial accounting purposes are appropriate in the circumstances.
53. With respect to the required supplementary information accompanying the financial statements:
 - a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with U.S. GAAP
 - b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with U.S. GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period
 - d. We believe significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
54. In order to provide oversight of the financial statement and annual financial report preparation services at an appropriate level, management has performed following functions:
 - a. Reconcile general ledger amounts to the draft financial statements utilizing grouping schedules to be provided by us.
 - b. Review all supporting documentation and explanations for journal entries we propose and approve the entries.
 - c. Review the adequacy of financial statement disclosures by completing a disclosure checklist.
 - d. Review and approve schedules and calculations supporting amounts included in the notes to the financial statements.
 - e. Review and approve the cash flow worksheet used in preparing the statement of cash flows.
 - f. Apply analytic procedures to the draft financial statements.
 - g. Perform other procedures as considered necessary by management.
55. With regard to nonaudit services performed by you, we acknowledge our responsibility to:
 - a. Assume all management responsibilities;
 - b. Oversee the services by designating an individual who possesses suitable skill, knowledge, or experience;
 - c. Evaluate the adequacy and results of the services performed; and
 - d. Accept responsibility for the results of the services.
56. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed.
57. Provisions for uncollectible receivables have been properly identified and recorded.
58. We have reviewed, approved, and taken responsibility for the financial statements, related notes, and the annual financial report and an acknowledgment of the auditor's role in the preparation of this information.

Examination Engagement

59. We confirm, to the best of our knowledge and belief, as of June 10, 2025, the following representations made to you during your examination engagement related to the Town's compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies* (the Statute):

- a. All relevant matters are reflected in the measurement or evaluation of the Town's compliance with the Statute.
- b. All known matters contradicting the measurement or evaluation of the Town's compliance with the Statute and any communication from regulatory agencies or others affecting the Town's compliance with the Statute have been disclosed to you, including communications received between the end of the period addressed by the practitioner's report and the date of the practitioner's report.
- c. We are responsible for:
 - i. All deficiencies in internal control relevant to the Town's compliance with the Statute;
 - ii. Selecting the criteria; and
 - iii. Determining that such criteria are suitable, will be available to the intended users, and are appropriate for the purpose of the engagement.
- d. Any known events occurring subsequent to September 30, 2024, that would have a material effect on the Town's compliance with the Statute have been disclosed to you.
- e. We have provided you with all relevant information and access as agreed upon in the terms of the engagement.
- f. We have responded fully to all inquiries made to us by you during the examination.
- g. We have disclosed to you:
 - i. All deficiencies in internal control relevant to the Town's compliance with the Statute of which we are aware.
 - ii. Our knowledge of any actual, suspected, or alleged fraud affecting the Town's compliance with the Statute.
 - iii. Our knowledge of any actual, suspected, or alleged noncompliance with laws or regulations affecting the Town's compliance with the Statute.

Signed: 

Lisa Morrell, Town Manager

Signed: 

Richard Kohler, Town Clerk

Signed: 

Makayla Austin, Town Treasurer



June 10, 2025

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

We have audited the financial statements of the Town of Malabar, Florida (the Town) as of and for the year ended September 30, 2024, and have issued our report thereon dated June 10, 2025. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated May 8, 2024, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of the system of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the system of internal control of the Town solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies over financial reporting and material weaknesses and material noncompliance, and other matters noted during our audit in a separate letter to you dated June 10, 2025.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

We have applied safeguards related to our preparation of the Town's financial statements, including, but not limited to, an assessment of management's skills, knowledge, and experience.

Significant Risks Identified

Professional standards require that we, as auditors, identify significant risks that impact the audit based upon the nature of the organization and design our audit procedures to adequately address those risks. As part of the audit process, we have identified the following significant risks, which are being communicated solely to comply with auditing standards and do not represent any specific finding and/or concerns related to the audit:

- Override of internal controls by management
- Improper revenue recognition
- Improper use of restricted resources

Our audit was designed to adequately address the above risks and no issues were noted that impacted our ability to render an opinion on the financial statements. No audit findings were noted related to these items.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Town is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2024. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates and Related Disclosures

Accounting estimates and related disclosures are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of the net pension liability was based on actuarial factors and was calculated by an actuary independent of the Town. We evaluated the key factors and assumptions used to develop the net pension liability and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Town's financial statements relate to:

The Deposits and Investments note summarizes the Town's deposits and investments, including any risks or concentrations in investments held.

The Long-term Debt note summarize the Town's long-term debt obligations and leases, including future debt service payments.

The Florida Retirement System note summarizes the basic information regarding the Town's pension plan and the net pension liability.

Significant Unusual Transactions

There were no significant unusual transactions identified as a result of our audit procedures that were brought to the attention of management and required to be communicated to you.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. The following summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit:

- None noted.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

- See attached schedule.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Town's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated June 10, 2025.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Town, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Town's auditors.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Modification of the Auditors' Report

We have made the following modification to our auditors' report. Under the titles "Basis for Qualified Opinion on Governmental Activities" and "Qualified Opinion on Governmental Activities", we indicate management has not acquired an actuarial valuation to determine the amount of its OPEB (Other Postemployment Benefits) liability and has not presented such liability in its governmental activities financial statements as required by accounting principles generally accepted in the United States of America. The impact of such departure from generally accepted accounting principles on the liabilities, net position and expenses of the government-wide financial statements of the Town is unknown. Such departure has no impact on the Town's governmental fund financial statements.

This report is intended solely for the information and use of the Town Council and management of the Town of Malabar, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



JAMES MOORE & CO., P.L.

Client: **202965 - Town of Malabar, Florida**
 Engagement: **2024 Audit - Town of Malabar, Florida**
 Period Ending: **9/30/2024**
 Trial Balance: **TB-01 - Fund TB**
 Workpaper: **TB-02 - Adjusting Journal Entries Report**
 Fund Level: **All**
 Index: **All**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 4				
		10-01.2		
To adjust state of FL tax revenues to be recorded 2 months in arrears and to true up Due From other Governments account. To accrue SW Franchise Fees receivable and agree to confirm.				
001-000-315.2000	COMMUNICATIONS SERVICE TAX		7,627.00	
001-000-331.5100	SLFRF ALLOTMENT		1.00	
001-000-335.1250	STATE REVENUE SHARING		7,993.00	
001-000-335.1800	STATE REV SHARING-LOCAL GOVT 12 CENT TAX		1,463.00	
001-000-115.1000	ACCOUNTS RECEIVABLE			5.00
001-000-133.0000	DUE FROM OTHER GOVERNMENTAL UNITS			16,925.00
001-000-312.4300	LOCAL OPTION GAS TAX			154.00
001-000-323.7000	FRANCHISE FEE - SOLID WASTE			
Total			17,084.00	17,084.00
Adjusting Journal Entries JE # 7				
		SS-01		
To adjust equity to balance to PY FS.				
001-000-133.0000	DUE FROM OTHER GOVERNMENTAL UNITS		16,103.00	
001-000-284.0000	FUND BALANCE UNASSIGNED		13,596.00	
001-000-115.1000	ACCOUNTS RECEIVABLE			4,699.00
001-514-000.6100	Land			25,000.00
Total			29,699.00	29,699.00
Adjusting Journal Entries JE # 9				
		L-001		
To true up GASB 87 FY24 activity to schedule.				
001-000-129.1000	LEASE RECEIVABLE ST		549.00	
001-000-292.1000	DEFERRED INFLOWS - LEASES		23,940.00	
001-524-500.4400	RENTALS & LEASES		1,867.00	
001-000-129.2000	LEASE RECEIVABLE LT			18,629.00
001-000-361.1010	CELL TOWER LEASE INTEREST			896.00
001-000-362.0000	CELL TOWER LEASE PRINCIPAL			6,831.00
Total			26,356.00	26,356.00
Adjusting Journal Entries JE # 10				
		BB-02		
To remove expenses accrued in FY23 and to properly close out AP and reclass 941 balance as needed				
001-000-202.0000	ACCOUNTS PAYABLE		10,569.00	
001-000-202.0000	ACCOUNTS PAYABLE		28,355.00	
001-000-202.0000	ACCOUNTS PAYABLE		5,375.00	
001-000-202.0000	ACCOUNTS PAYABLE		24,913.00	
001-000-218.0000	FEDERAL TAXES (941/944)		17,072.00	
001-000-202.0000	ACCOUNTS PAYABLE			11,489.00
001-000-202.4010	INSURANCE BENEFITS (EMPLOYER PORTION)			5,583.00
001-522-500.8000	GRANTS			24,913.00
001-538-500.3020	AMERICAN RELIEF PLAN ACT/SLFRF			10,569.00
001-538-500.3020	AMERICAN RELIEF PLAN ACT/SLFRF			28,355.00
001-538-500.3405	ILA ADMINISTRATIVE PROIGRAM			5,375.00
Total			86,284.00	86,284.00
Adjusting Journal Entries JE # 11				
		EE-01		
To reclass ARPA unearned revenue to ARPA revenue equal to the amount spent on ARPA projects in FY2024				
001-525-500.3020				
001-000-223.6000	UNEARNED REVENUE ARPA		40,212.00	
001-331.6300	ARPA (deleted)			40,212.00
Total			40,212.00	40,212.00
Adjusting Journal Entries JE # 12				
		10-01/10-01.1		
To agree Ad Valorem and SW Revenues to confirmation				
001-000-101.0000	CASH		24,615.00	
001-000-311.0000	AD VALOREM TAXES			22,595.00
001-000-325.1000	SW ASSESSEMENT			2,020.00
Total			24,615.00	24,615.00
Adjusting Journal Entries JE # 13				
		10-01.1		
To correct FPL Municipal Taxes per confirmation.				
001-000-101.0000	CASH		64,472.00	
001-000-314.1000	UTILITY TAX - ELECTRICITY			64,472.00
Total			64,472.00	64,472.00

Adjusting Journal Entries JE # 14

AA-02/A-02

To record Webster Bank Loan Activity

001-000-152.1000	SBA GENERAL 221351	3,500,000.00	
901-399.9001	GW - Debt Proceeds Reversal	3,500,000.00	
001-000-389.5000	DEBT PROCEEDS		3,500,000.00
901-204.1120	Debt - Webster Bank		3,500,000.00
Total		7,000,000.00	7,000,000.00

Adjusting Journal Entries JE # 15

KK-01

To record unrecorded liabilities discovered during KK testing.

001-524-500.3103	PROF SRVS - BLDG OFFICIAL, PLAN REVIEW	5,105.00	
001-541-500.6500	CONSTRUCTION IN PROGRESS	13,122.00	
001-541-500.6500	CONSTRUCTION IN PROGRESS	305,567.00	
001-000-202.0000	ACCOUNTS PAYABLE		323,794.00
Total		323,794.00	323,794.00

Adjusting Journal Entries JE # 16

A-02

To record investment activity during the year.

001-000-101.9422	INVESTMENT ACCOUNT - DANA HOLDINGS	914,000.00	
001-000-101.9422	INVESTMENT ACCOUNT - DANA HOLDINGS	82,476.00	
001-000-151.0000	FIRE DONATIONS MONEY MARKET	100.00	
001-000-151.1000	GENERAL FUND MONEY MARKET - 4151	1.00	
001-000-151.2000	GENERAL FUND MONEY MARKET - 4232	13.00	
001-000-151.3000	GENERAL FUND MONEY MARKET - 4216	6.00	
001-000-151.4000	GENERAL FUND MONEY MARKET - 7359	34.00	
001-000-152.1000	SBA GENERAL 221351	102,695.00	
001-000-152.2000	SBA UTILITY 221352	1,660.00	
001-000-152.1000	SBA GENERAL 221351		914,000.00
001-000-361.1000	INTEREST EARNINGS		154.00
001-361.2000	Investment earnings/loss		186,831.00
Total		1,100,985.00	1,100,985.00

Adjusting Journal Entries JE # 19

10-01.1/B-02

to record Waste Pro Receivable

001-000-115.1000	ACCOUNTS RECEIVABLE	6,476.00	
001-000-323.7000	FRANCHISE FEE - SOLID WASTE		6,476.00
Total		6,476.00	6,476.00

Adjusting Journal Entries JE # 20

10-01

To reclassify insurance refund to unearned revenue.

001-000-369.9100	INSURANCE REFUND - FMIT	19,012.00	
001-000-223.6100	Unearned Revenue - Insurance Proceeds		19,012.00
Total		19,012.00	19,012.00

Adjusting Journal Entries JE # 23

B-02

To true up recievable and revenues to actual.

001-000-323.1000	FRANCHISE FEE - ELECTRICITY	10,971.00	
001-000-115.1000	ACCOUNTS RECEIVABLE		10,971.00
Total		10,971.00	10,971.00

Adjusting Journal Entries JE # 25

30-01

To reclass prepaids and retainage out of capital outlay

001-155.1000	Prepaid Expenses	10,000.00	
001-541-500.6500	CONSTRUCTION IN PROGRESS	30,159.00	
001-000-202.0001	Retainage Payable		30,159.00
001-522-500.6400	MACHINERY & EQUIPMENT		10,000.00
Total		40,159.00	40,159.00

Total Adjusting Journal Entries

8,790,119.00

Total All Journal Entries

8,790,119.00

RESOLUTION 09-2025

A RESOLUTION OF THE TOWN OF MALABAR, BREVARD COUNTY, FLORIDA, PROVIDING FOR THE ACCEPTANCE OF THE ANNUAL AUDIT REPORT PROVIDED FOR THE FISCAL YEAR 2023-2024 BY THE AUDIT FIRM JAMES MOORE AND CO.; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, Chapter 281.39 of the Florida Statutes requires that an independent certified public accountant audit the annual financial statements of municipalities; and

WHEREAS, an annual audit was conducted by James Moore and Co., from October 2024 to May 2025 and all areas of the Town operations were tested; and

WHEREAS, a copy of such Audit Report is attached as Exhibit "A" to this Resolution; and

WHEREAS, the Town Council is satisfied that the Audit Report accurately reflects the financial condition of the Town's finances for the Fiscal Year ending September 30, 2024.

NOW, THEREFORE BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF MALABAR, BREVARD COUNTY, FLORIDA, that:

Section 1. The above findings are true and correct and are incorporated herein.

Section 2. The Town Council of Malabar, Brevard County, Florida, hereby ratifies, confirms, and certifies the Annual Audit report for the Fiscal Year of 2023/2024 attached to this Resolution and identified as Exhibit "A".

Section 3. That a certified copy of this Resolution shall be delivered with the Audit Report to the State Auditor General per Auditor General Rule 10-558(3).

Section 4. This Resolution shall take effect immediately upon its adoption.

This Resolution was moved for adoption by Council Member Scardino. This motion was seconded by Council Member Acquaviva and, upon being put to vote, the vote was as follows:

Council Member Marisa Acquaviva	<u>Aye</u>
Council Member Julane Kikla	<u>Aye</u>
Council Member Jim Clevenger	<u>Aye</u>
Council Member David Scardino	<u>Aye</u>
Council Member Mary Hofmeister	<u>Aye</u>

This Resolution was then declared to be duly passed and adopted this 7th day of July 2025.

TOWN OF MALABAR

By: Steve Rivet

Mayor Steve Rivet, Council Chair

ATTEST:

Richard W. Kohler

Richard W, Kohler

Town Clerk

Approved as to Form and Content:

Karl Bohne Jr.

Karl Bohne Jr., Town Attorney

(Seal)





TOWN OF MALABAR

2725 MALABAR ROAD • MALABAR, FLORIDA 32950

(321) 727-7764 OFFICE • (321) 722-2234 FAX

www.townofmalabar.org

June 10, 2025

James Moore & Co., P.L.
121 Executive Circle
Daytona Beach, FL 32114

This representation letter is provided in connection with your audit of the financial statements of the Town of Malabar, Florida (the Town), which comprise the statement of financial position as of September 30, 2024, and the related statements of operations and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements of the various opinion units are presented fairly, in all material respects, in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information such that, in the light of surrounding circumstances, 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.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of June 10, 2025:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated May 8, 2024, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation, and maintenance of the system 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
5. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
6. We have a process to track the status of audit findings and recommendations.
7. We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
8. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures, are appropriate to achieve recognition, measurement, or disclosure that is reasonable in the context of the applicable financial reporting framework.
9. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
10. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

James Moore & Co., P.L.

June 10, 2025

Page 2

11. The effects of uncorrected misstatements, if any, summarized below and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the applicable opinion units and to the financial statements as a whole:
 - None noted.
12. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
13. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
14. All funds and activities are properly classified.
15. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
16. All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
17. Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
18. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
19. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
20. All interfund and intra-entity transactions and balances have been properly classified and reported.
21. Special items and extraordinary items have been properly classified and reported.
22. Deposit and investment risks have been properly and fully disclosed.
23. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
24. There have been no cybersecurity breaches or other cyber events whose effects should be considered for disclosure in the financial statements, as a basis for recording a loss contingency, or otherwise considered when preparing the financial statements.
25. All required supplementary information is measured and presented within the prescribed guidelines.
26. With regard to investments and other instruments reported at fair value:
 - a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
27. With respect to preparation of the financial statements, we have performed the following:

James Moore & Co., P.L.
June 10, 2025
Page 3

- a. Made all management decisions and performed all management functions;
- b. Assigned a competent individual to oversee the services;
- c. Evaluated the adequacy of the services performed;
- d. Evaluated and accepted responsibility for the result of the service performed; and
- e. Established and maintained controls, including a process to monitor the system of internal control.

Information Provided

28. We have provided you with:

- a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
- b. Additional information that you have requested from us for the purpose of the audit; and
- c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- d. A written acknowledgement of all the documents that we expect to issue that will be included in the annual report and the planned timing and method of issuance of that annual report;
- e. A final version of the annual report (including all the documents that, together, comprise the annual report) in a timely manner prior to the date of the auditor's report.

29. The financial statements and any other information included in the annual report are consistent with one another, and the other information does not contain any material misstatements.

30. All transactions have been recorded in the accounting records and are reflected in the financial statements.

31. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

32. We have provided to you our evaluation of the entity's ability to continue as a going concern, including significant conditions and events present, and we believe that our use of the going concern basis of accounting is appropriate. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

- a. Management;
- b. Employees who have significant roles in internal control; or
- c. Others where the fraud could have a material effect on the financial statements.

33. We have no knowledge of allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.

34. We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

35. We have no knowledge of any instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.

36. We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that you have reported to us.

37. We have a process to track the status of audit findings and recommendations.

James Moore & Co., P.L.
June 10, 2025
Page 4

38. We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
39. We have provided views on your reported audit findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
40. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
41. We have disclosed to you the identity of all the entity's related parties and the nature of all the related party relationships and transactions of which we are aware.
42. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
43. The Town has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
44. We have disclosed to you all guarantees, whether written or oral, under which The Town is contingently liable.
45. We have disclosed to you all nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, for those guarantees where it is more likely than not that the entity will make a payment on any guarantee.
46. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
47. There are no:
 - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
 - d. Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
48. The Town has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
49. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
50. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB-62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
51. We agree with the findings of the specialist in evaluating the Pension Plan liability and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to the

James Moore & Co., P.L.
June 10, 2025
Page 5

- specialist with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialist.
52. We believe that the actuarial assumptions and methods used to measure the pension liability and costs for financial accounting purposes are appropriate in the circumstances.
53. With respect to the required supplementary information accompanying the financial statements:
- a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with U.S. GAAP
 - b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with U.S. GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period
 - d. We believe significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
54. In order to provide oversight of the financial statement and annual financial report preparation services at an appropriate level, management has performed following functions:
- a. Reconcile general ledger amounts to the draft financial statements utilizing grouping schedules to be provided by us.
 - b. Review all supporting documentation and explanations for journal entries we propose and approve the entries.
 - c. Review the adequacy of financial statement disclosures by completing a disclosure checklist.
 - d. Review and approve schedules and calculations supporting amounts included in the notes to the financial statements.
 - e. Review and approve the cash flow worksheet used in preparing the statement of cash flows.
 - f. Apply analytic procedures to the draft financial statements.
 - g. Perform other procedures as considered necessary by management.
55. With regard to nonaudit services performed by you, we acknowledge our responsibility to:
- a. Assume all management responsibilities;
 - b. Oversee the services by designating an individual who possesses suitable skill, knowledge, or experience;
 - c. Evaluate the adequacy and results of the services performed; and
 - d. Accept responsibility for the results of the services.
56. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed.
57. Provisions for uncollectible receivables have been properly identified and recorded.
58. We have reviewed, approved, and taken responsibility for the financial statements, related notes, and the annual financial report and an acknowledgment of the auditor's role in the preparation of this information.

Examination Engagement

59. We confirm, to the best of our knowledge and belief, as of June 10, 2025, the following representations made to you during your examination engagement related to the Town's compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies* (the Statute):

James Moore & Co., P.L.
June 10, 2025
Page 6

- a. All relevant matters are reflected in the measurement or evaluation of the Town's compliance with the Statute.
- b. All known matters contradicting the measurement or evaluation of the Town's compliance with the Statute and any communication from regulatory agencies or others affecting the Town's compliance with the Statute have been disclosed to you, including communications received between the end of the period addressed by the practitioner's report and the date of the practitioner's report.
- c. We are responsible for:
 - i. All deficiencies in internal control relevant to the Town's compliance with the Statute;
 - ii. Selecting the criteria; and
 - iii. Determining that such criteria are suitable, will be available to the intended users, and are appropriate for the purpose of the engagement.
- d. Any known events occurring subsequent to September 30, 2024, that would have a material effect on the Town's compliance with the Statute have been disclosed to you.
- e. We have provided you with all relevant information and access as agreed upon in the terms of the engagement.
- f. We have responded fully to all inquiries made to us by you during the examination.
- g. We have disclosed to you:
 - i. All deficiencies in internal control relevant to the Town's compliance with the Statute of which we are aware.
 - ii. Our knowledge of any actual, suspected, or alleged fraud affecting the Town's compliance with the Statute.
 - iii. Our knowledge of any actual, suspected, or alleged noncompliance with laws or regulations affecting the Town's compliance with the Statute.

Signed:  1111

Lisa Morrell, Town Manager

Signed:  _____
Richard Kohler, Town Clerk

Signed:  _____
Makayla Austin, Town Treasurer