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RESOLUTION 09-2016

A RESOLUTION OF THE TOWN OF MALABAR, BREVARD COUNTY, FLORIDA, PROVIDING ACCEPTANCE OF THE ANNUAL AUDIT REPORT PROVIDED FOR FISCAL YEAR 2014/2015 BY THE AUDIT FIRM OF WITHUM SMITH & BROWN, PC (FORMALLY KNOWN AS AVERETT WARMUS DURKEE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, an audit was conducted from November 2015 to May 2016, 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 FY ending September 30, 2015.

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

Section 1. The Town Council of Malabar, Brevard County, Florida, hereby ratifies, confirms, and certifies the annual audit report for the FY 2014/2015 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 _____ . The motion was seconded by Council Member _____ and, upon being put to a vote, the vote was as follows:

Council Member Grant Ball	Excused
Council Member Brian Vail	Aye
Council Member Don Krieger	Aye
Council Member Dick Korn	Aye
Council Member Richard Kohler	Aye


This Resolution was then declared to be duly passed and adopted this 18th day of July, 2016.

TOWN OF MALABAR

By: 

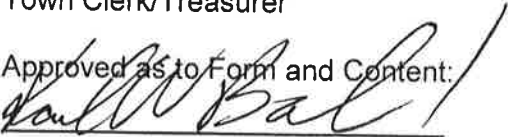
Mayor Phillip R. Crews,
Council Chair

ATTEST:


Debby K. Franklin, CMC
Town Clerk/Treasurer

(seal)

Approved as to Form and Content:


Karl W. Bohne, Jr., Town Attorney



TOWN OF MALABAR, FLORIDA
FINANCIAL SECTION, REQUIRED
SUPPLEMENTARY INFORMATION, AND
SUPPLEMENTARY FINANCIAL REPORTS
COMPLIANCE SECTION
Year Ended September 30, 2015

TOWN OF MALABAR, FLORIDA

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Independent Auditors' Report

Honorable Mayor and Town Council
Town of Malabar, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Town of Malabar, Florida (the "Town") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town as of September 30, 2015, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Financial Statements

The financial statements of the Town as of September 30, 2014, were audited by other auditors whose report dated March 3, 2015, expressed an unmodified opinion on those statements

Emphasis of Matter

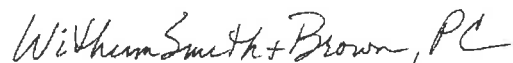
As discussed in Note 1 to the accompanying financial statements, the Town adopted the recognition and disclosure requirements of Governmental Accounting Standards Board, Statement No. 68, *Accounting and Financial Reporting for Pensions*, and amendment of GASB Statement No. 27. The net position balances of the governmental activities as of October 1, 2014, have been restated. Our opinion is not modified with respect to this matter.

Other Matters – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2016, on our consideration of the Town of Malabar, Florida'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.



Orlando, Florida
June 30, 2016

TOWN OF MALABAR, FLORIDA

Management's Discussion and Analysis Year Ended September 30, 2015

As management of the Town of Malabar, Florida (the "Town"), we offer readers of the Town's basic financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2015. We encourage readers to consider the information presented here in conjunction with the auditors' report, the basic financial statements, and the notes to the basic financial statements.

The Town implemented the Governmental Accounting Standards Board ("GASB") Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" in fiscal year ended September 30, 2004. Under GASB Statement No. 34, retroactive infrastructure reporting for small governments is optional. Town management has determined the cost of the additional reporting requirements for retroactive reporting of infrastructure outweighs the benefits to the Town and thus has elected not to retroactively implement this part of GASB Statement No. 34.

Financial Highlights

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$3,568,231 (*net position*). Of this amount, \$439,998 (*unrestricted net position*) may be used to meet the government's ongoing obligations to residents and creditors.
- During the fiscal year, the Town's total net position decreased by \$205,876 due mainly to an increase of \$78,042 in public safety expenses and an increase in general government expenses of \$42,039.
- As of the close of the current fiscal year, the Town's governmental funds reported ending fund equity of \$972,252, a decrease of \$131,101 in comparison with the prior year. Of this amount, \$826,134 is *available for spending* at the government's discretion (*unassigned fund balance*).

Overview of the Basic 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 basic 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, deferred outflows, liabilities, and deferred inflows, with the difference 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 government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Town include general government, public safety, physical environment, and culture and recreation.

The government-wide financial statements can be found on pages 10 and 11 of this report.

TOWN OF MALABAR, FLORIDA

Management's Discussion and Analysis – Continued Year Ended September 30, 2015

Overview of the Basic Financial Statements – Continued

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. All of the funds of the Town are classified as governmental funds.

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 funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance 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 annual appropriated budgets for its general fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with the budget.

The basic governmental funds financial statements can be found on pages 12 and 13 of this report.

Notes to the basic 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 basic financial statements can be found on pages 14 through 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 budget to actual comparisons for the Town's general fund. Required supplementary information can be found on page 31 of this report.

TOWN OF MALABAR, FLORIDA

Management's Discussion and Analysis – Continued
Year Ended September 30, 2015

Government-Wide Financial Analysis

The table below summarizes the statements of net position:

Town of Malabar, Florida's Net Position

	Governmental Activities		Amount Change	% Change
	September 30,			
	2015	2014		
Current	\$ 1,160,917	\$ 1,418,712	\$ (257,795)	(18.2) %
Capital Assets, net	<u>2,982,115</u>	<u>3,060,437</u>	<u>(78,322)</u>	(2.6)
Total assets	<u>4,143,032</u>	<u>4,479,149</u>	<u>(336,117)</u>	(7.5)
Deferred Outflows	<u>273,491</u>	<u>-</u>	<u>273,491</u>	
Long-Term Liabilities Outstanding	573,162	66,044	507,118	767.8
Other Liabilities	<u>45,142</u>	<u>171,961</u>	<u>(126,819)</u>	(73.7)
Total liabilities	<u>618,304</u>	<u>238,005</u>	<u>380,299</u>	159.8
Deferred Inflows	<u>229,988</u>	<u>143,398</u>	<u>86,590</u>	60.4
Net Position:				
Invested in capital assets, net of related debt	2,982,115	3,060,437	(78,322)	(2.6)
Restricted	146,118	174,151	(28,033)	(16.1)
Unrestricted	<u>439,998</u>	<u>863,158</u>	<u>(423,160)</u>	(49.0)
Total net position	<u>\$ 3,568,231</u>	<u>\$ 4,097,746</u>	<u>\$ (529,515)</u>	(12.9) %

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 and deferred outflows exceeded liabilities and deferred inflows by \$3,568,231 at the close of the most recent fiscal year.

The largest portion of the Town's net position (\$2,982,115 or 83.6%) reflects its investment in capital assets (e.g., land, buildings and improvements, infrastructure, and machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to residents; consequently, these assets are *not* available for future spending.

An additional portion of the Town's net position, \$146,118, represents resources that are subject to external restrictions as to how they may be used. The remaining balance of *unrestricted net position*, \$439,998, may be used to meet the government's ongoing obligations to residents and creditors.

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.

TOWN OF MALABAR, FLORIDA

**Management's Discussion and Analysis – Continued
Year Ended September 30, 2015**

Government-Wide Financial Analysis – Continued

Governmental activities. The table below summarizes the statements of activities.

Town of Malabar, Florida				
Changes in Net Position				
	Governmental Activities		Amount Change	%
	Year Ended September 30,			
	2015	2014		
Revenues:				
Program revenues:				
Charges for services	\$ 107,895	\$ 97,010	\$ 10,885	11.2 %
General revenues:				
Ad valorem taxes	332,112	295,777	36,335	12.3
Franchise fees	242,569	231,809	10,760	4.6
Utility taxes	277,332	270,285	7,047	2.6
Intergovernmental	503,821	469,494	34,327	7.3
Investment earnings	1,867	333	1,534	460.7
Miscellaneous	34,310	38,900	(4,590)	(11.8)
Total revenues	1,499,906	1,403,608	96,298	6.9
Expenses:				
General government	511,331	469,292	42,039	9.0
Public safety – fire	394,743	316,701	78,042	24.6
Physical environment	760,544	730,411	30,133	4.1
Culture and recreation	39,164	32,962	6,202	18.8
Total expenses	1,705,782	1,549,366	156,416	10.1
Decrease in Net Position	(205,876)	(145,758)	(60,118)	41.2
Net Position, beginning of year	4,097,746	4,243,504	(145,758)	(3.4)
Restatement	(323,639)	-	(323,639)	-
Net Position, beginning of year, restated	3,774,107	4,243,504	(469,397)	(11.1)
Net Position, end of year	\$ 3,568,231	\$ 4,097,746	\$ (529,515)	(12.9) %

Key elements which resulted in the net decrease are as follows:

- Charges for services increased in total by \$10,885 or 11.2%. The increase in charges for services in governmental activities of \$10,885 is caused mainly by an increase in building permits.
- Ad valorem taxes increased in the general fund by \$36,335 compared to 2014 or 12.3%. The Town's millage rate was 1.8000 and 1.6630 for 2015 and 2014, respectively.
- Utility taxes increased by \$7,047 or 2.6% due mainly to increased economic activity.
- General government expenses increased by \$42,039 or 9.0% due to increases in expenses in general.
- Public safety – fire expenses increased by \$78,042 or 24.6% which was mainly caused by an increase in salaries and benefits.
- Physical environment expenses increased by \$30,133 or 4.1% which was mainly caused by increases in flood control studies/engineering and life/health insurance expenses.

TOWN OF MALABAR, FLORIDA

**Management's Discussion and Analysis – Continued
Year Ended September 30, 2015**

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 \$972,252, a decrease of \$131,101 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 \$826,134. 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 51% 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 \$93,104 less than budgeted amounts (due to decreased use of miscellaneous fund revenue) and expenditures were \$59,197 less than budgeted amounts (due to decreased physical environment expenditures).

Additional information on budgetary comparisons between the final budget and actual results can be found on page 31 of this report.

Capital Assets and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental activities as of September 30, 2015, amounts to \$2,982,115 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure.

The table below summarizes the capital assets of the Town:

Town of Malabar, Florida

Capital Assets

	Governmental Activities		Amount Change	% Change
	September 30,			
	2015	2014		
Land	\$ 1,886,781	\$ 1,886,781	\$ -	-
Buildings and Improvements	853,529	848,484	5,045	0.6
Machinery and Equipment	2,449,077	2,393,244	55,833	2.3
Infrastructure	<u>1,045,715</u>	<u>979,852</u>	<u>65,863</u>	6.7
Total at cost	6,235,102	6,108,361	126,741	2.1
Less Accumulated Depreciation	<u>(3,252,987)</u>	<u>(3,047,924)</u>	<u>(205,063)</u>	6.7
	<u>\$ 2,982,115</u>	<u>\$ 3,060,437</u>	<u>\$ (78,322)</u>	(2.6) %

Additional information on the Town's capital assets can be found in Note 4 on page 21 of this report.

TOWN OF MALABAR, FLORIDA

**Management's Discussion and Analysis – Continued
Year Ended September 30, 2015**

Capital Assets and Debt Administration – Continued

Long-term obligations. At September 30, 2015 and 2014, the Town had \$573,162 and \$334,206, respectively, in long-term obligations outstanding. These amounts represent the Town's compensated absences and net pension liability. Additional information on the Town's long-term obligations can be found in Note 9 on page 29 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 Douglas Hoyt, Town Administrator, Town of Malabar, Florida.

TOWN OF MALABAR, FLORIDA

Basic Financial Statements

- Government-Wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

TOWN OF MALABAR, FLORIDA

**Government-Wide Statement of Net Position
September 30, 2015**

Assets	<u>Governmental Activities</u>
Cash and Cash Equivalents	\$ 907,748
Receivables	93,786
Due From Other Governments	31,188
Prepaid Items	1,195
Restricted Cash	<u>127,000</u>
	<u>1,160,917</u>
Capital Assets:	
Capital assets, not being depreciated – land	1,886,781
Capital assets, being depreciated, net	<u>1,095,334</u>
Total capital assets	<u>2,982,115</u>
 Total assets	 <u>4,143,032</u>
 Deferred Outflows	
 Deferred Outflows Related to Pensions	 <u>273,491</u>
 Liabilities	
Accounts Payable	29,830
Accrued Liabilities	15,312
Long-Term Obligations:	
Due after one year	58,606
Net pension liability	<u>514,556</u>
 Total liabilities	 <u>618,304</u>
 Deferred Inflows	
Unearned Revenue	143,523
Deferred Inflows Related to Pensions	<u>86,465</u>
 Total deferred inflows	 <u>229,988</u>
 Net Position	
Investment in Capital Assets, net of related debt	2,982,115
Restricted	146,118
Unrestricted	<u>439,998</u>
 Total net position	 <u>\$ 3,568,231</u>

See accompanying notes.

TOWN OF MALABAR, FLORIDA

Government-Wide Statement of Activities
Year Ended September 30, 2015

Functions/Programs	Total Expenses	Program Revenues Charges for Services	Net Revenue (Expense) and Changes in Net Position Governmental Activities
Governmental Activities:			
General government	\$ 511,331	\$ 107,826	\$ (403,505)
Public safety – fire	394,743	69	(394,674)
Physical environment	760,544	-	(760,544)
Culture and recreation	39,164	-	(39,164)
Total governmental activities	<u>\$ 1,705,782</u>	<u>\$ 107,895</u>	<u>(1,597,887)</u>
		General Revenues:	
		Ad valorem taxes	332,112
		Franchise fees	242,569
		Utility taxes	277,332
		Intergovernmental	503,821
		Investment earnings	1,867
		Miscellaneous	34,310
		Total general revenues	<u>1,392,011</u>
		Change in net position	(205,876)
		Net Position, beginning of year, restated	<u>3,774,107</u>
		Net Position, end of year	<u>\$ 3,568,231</u>

See accompanying notes.

TOWN OF MALABAR, FLORIDA

**Balance Sheet
Governmental Funds
September 30, 2015**

Assets	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 907,748
Receivables	93,786
Due From Other Governments	31,188
Prepaid Items	1,195
Restricted Cash	<u>127,000</u>
Total assets	<u>1,160,917</u>
Liabilities	
Accounts Payable	29,830
Accrued Liabilities	<u>15,312</u>
Total liabilities	<u>45,142</u>
Deferred Inflows	
Unearned Revenue	<u>143,523</u>
Total deferred inflows	<u>143,523</u>
Fund Equity	
Fund Balance:	
Nonspendable	1,195
Committed	144,923
Unassigned	<u>826,134</u>
Total fund equity	<u>\$ 972,252</u>
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position:	
Total fund balance – total governmental funds	\$ 972,252
Amounts reported for governmental activities in the statement of net position are different because:	
• Capital assets of \$6,235,102, net of accumulated depreciation of \$3,252,987, are not financial resources and, therefore, are not reported in the funds.	2,982,115
• Long-term liabilities of \$58,606 are not due and payable in the current period and are not reported in the funds.	(58,606)
• On the statement of net position, the Town’s net pension liability for the defined benefit pension plan is reported as a noncurrent asset. Additionally, deferred outflows and inflows related to pensions are also reported.	
Net pension liability	(514,556)
Deferred outflows related to pensions	273,491
Deferred inflows related to pensions	<u>(86,465)</u>
Net position of governmental activities	<u>\$ 3,568,231</u>

See accompanying notes.

TOWN OF MALABAR, FLORIDA

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended September 30, 2015**

	<u>Total Governmental Funds</u>
Revenues:	
Ad valorem taxes	\$ 332,112
Franchise fees	242,569
Utility taxes	277,332
Licenses, permits, and fees	107,826
Intergovernmental	503,821
Fines and forfeitures	69
Investment earnings	1,867
Miscellaneous	34,310
Total revenues	<u>1,499,906</u>
Expenditures:	
Current operating:	
General government	490,783
Public safety – fire	350,757
Physical environment	632,175
Culture and recreation	30,551
Capital outlay	126,741
Total expenditures	<u>1,631,007</u>
Deficiency of Revenues Over Expenditures	(131,101)
Fund Balance, beginning of year	<u>1,103,353</u>
Fund Balance, end of year	<u>\$ 972,252</u>
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities:	
Net change in fund balance – total governmental funds	\$ (131,101)
Amounts reported for governmental activities in the statement of activities are different because:	
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of \$205,063 exceeded capital outlays of \$126,741 in the current period. 	(78,322)
<ul style="list-style-type: none"> • Change in long-term portion of compensated absences 	7,438
<ul style="list-style-type: none"> • The net change in the net pension liability and deferred outflows and inflows related to pensions is reported in the statement of activities, but not in governmental funds. 	<u>(3,891)</u>
Change in net position of governmental activities	<u>\$ (205,876)</u>

See accompanying notes.

TOWN OF MALABAR, FLORIDA

Notes to the Basic Financial Statements September 30, 2015

1. Summary of Significant Accounting Policies:

A. Nature of Operations

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 Town complies with accounting principles generally accepted in the United States of America. The Town's reporting entity applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements. The accounting and reporting framework and the more significant accounting principles are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Town's financial activities for the fiscal year ended September 30, 2015.

B. Financial Reporting Entity

The Town is a Florida municipal corporation with a five-member Town Council which acts as the legislative branch and a Town Administrator who is the chief executive officer of the Town. As required by accounting principles generally accepted in the United States of America, these financial statements present the Town (the primary government). Using applicable GASB criteria, management has determined that the Town has no component units.

C. Reporting Model

GASB Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" allows small governments to elect not to retroactively record infrastructure. Management has decided not to retroactively implement the recording of infrastructure assets.

D. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The general fund is the only major individual governmental fund and is reported in the fund financial statements.

E. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the *accrual basis of accounting*. 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.

TOWN OF MALABAR, FLORIDA

Notes to the Basic Financial Statements – Continued September 30, 2015

1. Summary of Significant Accounting Policies – Continued:

E. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

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 for claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide statement to the extent that those standards do not conflict with or contradict guidance of the GASB.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

F. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity

(1) Deposits – Cash and Cash Equivalents

Florida Statutes provide for risk sharing collateral pools by banks and savings and loan associations. These collateral pools collateralize local government deposits and certificates of deposit with the participating depositories. The Town's demand deposits and certificates of deposit are placed in such authorized depositories.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned or the Town will not be able to recover collateral securities in the possession of an outside party. At September 30, 2015, the carrying amounts of the Town's deposits were \$1,001,044 and the bank balances of the Town's deposits were \$1,019,566. Bank balances were covered by certain levels of federal deposit insurance and the remainder was covered by pledged collateral as required by Florida Statutes. All collateral is pledged in the Town's name and is held by a third-party financial institution.

Highly liquid financial instruments with an original maturity of three months or less at the time they are purchased by the Town are considered to be cash equivalents.

TOWN OF MALABAR, FLORIDA

Notes to the Basic Financial Statements – Continued September 30, 2015

1. Summary of Significant Accounting Policies – Continued:

F. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity – Continued

(2) Town of Malabar's Investment Policies

(a) Investment in State Pool

The Town invests surplus funds in an external investment pool, the Local Government Surplus Funds Trust Fund (the "State Pool"). The State Pool is administered by the Florida State Board of Administration ("SBA"), who provides regulatory oversight. During the year, the SBA reported that the State Pool was exposed to potential risks due to indirect exposure in the sub-prime mortgage financial market. Consequently, the SBA placed some restrictions on how participants could access portions of their surplus funds and ultimately restructured the State Pool into two separate pools ("Florida PRIME" and "Fund B").

The Florida PRIME has adopted operating procedures consistent with the requirements for a 2a-7 like fund. The Town's investment in the Florida PRIME is reported at amortized cost. The fair value of the position in the pool is equal to the value of the pool shares. At September 30, 2015, the Town had \$33,704 in this pool.

(b) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

Florida Statutes authorize the Town to invest in the State Pool, which is administered by the SBA; obligations of, or obligations the principal and interest of which are unconditionally guaranteed by the United States government; interest bearing time deposits or savings accounts in banks and savings and loans organized under laws of the United States; obligations of the Federal Farm Credit Banks, the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank, or obligations guaranteed by the Government National Mortgage Association; and obligations of the Federal National Mortgage Association. As of September 30, 2015, the State Pool was not rated by a nationally recognized rating agency.

The State Pool is not a registrant with the Securities and Exchange Commission ("SEC"); however, the SBA has adopted operating procedures consistent with the requirements for a 2a-7 like fund.

In accordance with the regulations of 2a-7 like funds, the method used to determine the participant's shares sold and redeemed is the amortized cost method. The amortized cost method is the same method used to report investments. Amortized cost includes accrued income and is a method of calculating an investment's value by adjusting its acquisition cost for the amortization of discount or premium over the period from purchase to maturity.

There is no requirement under Florida Statutes for any local government or state agency to involuntarily participate in the State Pool.

(c) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Town's policy provides that to the extent practical, investments are to be matched to cash flow requirements.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investments in a single issuer.

TOWN OF MALABAR, FLORIDA

Notes to the Basic Financial Statements – Continued
September 30, 2015

1. Summary of Significant Accounting Policies – Continued:

F. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity – Continued

(3) Receivables and Payables

Management has determined that no allowance for doubtful accounts is required for the general fund receivables or amounts due from other governments.

(4) Capital Assets

Capital assets, which include land, buildings and improvements, machinery and equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 or an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of ordinary maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Governmental Activities
Buildings and improvements	5 – 50 years
Machinery and equipment	5 – 10 years
Infrastructure	7 – 20 years

(5) Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes 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. See Note 7 for additional information on the Town's deferred outflows of resources.

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 that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town currently has two items that qualify for reporting in this category which relates to fiscal year 2016 business tax payments received by the Town in advance and those related to pensions. See Note 7 for additional information on the Town's deferred inflows of resources related to pensions.

TOWN OF MALABAR, FLORIDA

Notes to the Basic Financial Statements – Continued September 30, 2015

1. Summary of Significant Accounting Policies – Continued:

F. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity – Continued

(6) Compensated Absences

The Town's policy allows all full-time employees to accumulate unused sick leave on an unlimited basis and vacation leave up to 42 1/2 days. Full-time employees hired as of October 1, 2013, and in good standing, may sell up to 40 hours of accrued sick leave back to the Town. Once a year, employees who have over 144 hours of sick leave may convert 24 hours into vacation.

The Town accrues sick leave and vacation leave based on current compensation levels in accordance with accounting principles generally accepted in the United States of America. The entire compensated absences liability is reported on the government-wide financial statements.

(7) Fund Balances – Governmental Funds

As of September 30, 2015, fund balances of the governmental funds are classified as follows:

- Non-spendable fund balance – amounts that cannot be spent because of their nature (such as prepaid items) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the Town itself, using its highest level of decision-making authority (i.e., Town Council). To be reported as committed, amounts cannot be used for any other purpose unless the Town takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the Town intends to use for a specific purpose. Intent can be expressed by the Town Council or by an official or body to which the Town Council delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Town Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Town Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

In the general fund, the Town strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 20% of the actual GAAP basis expenditures and other financing sources and uses.

TOWN OF MALABAR, FLORIDA

Notes to the Basic Financial Statements – Continued September 30, 2015

1. Summary of Significant Accounting Policies – Continued:

G. Stewardship, Compliance, and Accountability

Budgetary Information – The following procedures are used by the Town in legally adopting the budget for the general fund:

Legally Adopted Appropriated Budgets:

- Prior to August 1, the Town Administrator submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are held to obtain taxpayer comments.
- Prior to October 1, the budget is legally enacted through the passage of an ordinance.
- Only the Town Council is authorized to transfer budgeted amounts between departments.
- The budget for the general fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America.
- There were 6 budget adjustments during the fiscal year ended September 30, 2015.
- There are no encumbrances outstanding at year end. All outstanding purchase orders are canceled and appropriations lapse at that time. Therefore, the Town did not report any fund balances reserved for encumbrances at year end.

The appropriated budget is prepared by fund, function, and department. The Town Administrator may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Town Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

H. Estimates

The preparation of basic financial statements in accordance with the bases of accounting described in the previous paragraphs, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets or liabilities at the date of the basic financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

TOWN OF MALABAR, FLORIDA

**Notes to the Basic Financial Statements – Continued
September 30, 2015**

1. Summary of Significant Accounting Policies – Continued:

I. New Accounting Standards

The Town participates in the Florida Retirement System (“FRS”) defined benefit pension plan and the Health Insurance Subsidy (“HIS”) defined benefit plan administered by Florida Division of Retirement. As a participating employer, the Town implemented Governmental Accounting Standards Board State No. 68, *Accounting and Financial Reporting for Pensions* (“GASB 68”), as required in 2015. GASB 68 requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers’ proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans.

The beginning entity-wide net position of the Town was adjusted for implementation of GASB 68 as follows:

		<u>Governmental Activities</u>
Net Position, September 30, 2014	\$	4,097,746
Net Pension Adjustment		<u>(323,639)</u>
Restated Beginning Net Position	\$	<u><u>3,774,107</u></u>

J. Subsequent Events

The Town has evaluated subsequent events through June 30, 2016, the date of which the financial statements were available to be issued.

2. Cash and Cash Equivalents:

Cash and cash equivalents at September 30, 2015, consist of the following:

	<u>Total All Funds</u>	<u>Financial Institution Balance</u>
Unrestricted:		
Demand deposits	\$ 674,044	\$ 692,372
Certificates of deposit	200,000	200,000
SBA	<u>33,704</u>	<u>33,704</u>
	907,748	926,076
Restricted:		
Demand deposits	<u>127,000</u>	<u>127,000</u>
Total cash and cash equivalents	<u><u>\$ 1,034,748</u></u>	<u><u>\$ 1,053,076</u></u>

TOWN OF MALABAR, FLORIDA

**Notes to the Basic Financial Statements – Continued
September 30, 2015**

3. Receivables and Due From Other Governments:

Receivables and due from other governments consist of the following at September 30, 2015:

Receivables:		
Utility taxes	\$	25,260
Franchise fees		47,279
Other receivables		<u>21,247</u>
Total receivables	\$	<u><u>93,786</u></u>
Due From Other Governments:		
State of Florida	\$	<u><u>31,188</u></u>

4. Capital Assets:

Capital asset activity for the year ended September 30, 2015, is as follows:

	<u>Balance October 1, 2014</u>	<u>Additions</u>	<u>Balance September 30, 2015</u>
Governmental Activities:			
Capital assets not being depreciated:			
Land	\$ <u>1,886,781</u>	\$ <u>-</u>	\$ <u>1,886,781</u>
Total capital assets not being depreciated	<u>1,886,781</u>	<u>-</u>	<u>1,886,781</u>
Capital assets being depreciated:			
Buildings and improvements	848,484	5,045	853,529
Machines and equipment	2,393,244	55,833	2,449,077
Infrastructure	<u>979,852</u>	<u>65,863</u>	<u>1,045,715</u>
Total capital assets being depreciated	4,221,580	126,741	4,348,321
Less accumulated depreciation	<u>(3,047,924)</u>	<u>(205,063)</u>	<u>(3,252,987)</u>
Capital assets being depreciated, net	<u>1,173,656</u>	<u>(78,322)</u>	<u>1,095,334</u>
Government activities – capital assets, net	<u>\$ 3,060,437</u>	<u>\$ (78,322)</u>	<u>\$ 2,982,115</u>

Depreciation expense was charged to functions of the primary government for the year ended September 30, 2015, as follows:

General government	\$	24,095
Public safety – fire		43,986
Physical environment		128,369
Culture and recreation		<u>8,613</u>
	\$	<u><u>205,063</u></u>

TOWN OF MALABAR, FLORIDA

Notes to the Basic Financial Statements – Continued
September 30, 2015

5. Accounts Payable and Accrued Liabilities:

Accounts payable and accrued liabilities consist of the following at September 30, 2015:

Accounts Payable:	
Vendors	\$ <u>29,830</u>
Accrued Liabilities:	
Salaries and benefits	\$ <u>15,312</u>

6. Ad Valorem Tax Revenues:

The Town's millage rate was \$1.8000 per \$1,000 of assessed value for the fiscal year 2015 and \$1.9256 for the fiscal year 2016. The County of Brevard, Florida, bills and receives payments for all property taxes levied by the Town. Payments are then remitted to the Town. Under the laws of Florida Chapter 74-430 (as amended by 85-381), the Town may not increase its millage by 10% without a vote from the residents of the Town.

Ad valorem taxes are levied on property values as of January 1 as assessed on July 1 with the millage rate established during September. The fiscal year for which taxes are levied begins October 1. Taxes are billed in October with a maximum discount available through November 30, and become delinquent April 1. Tax certificates are issued for delinquent taxes by May 31.

7. Pension Plan:

Florida Retirement System

All of the Town's employees participate in the Florida Retirement System ("FRS"). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan ("Pension Plan") and the Retiree Health Insurance Subsidy ("HIS Plan"). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan ("Investment Plan") alternative to the FRS Pension Plan, which is administered by the State Board of Administration ("SBA"). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site: www.dms.myflorida.com/

Pension Plan

Plan Description – The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program ("DROP") for eligible employees.

Benefits Provided – Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits.

TOWN OF MALABAR, FLORIDA

Notes to the Basic Financial Statements – Continued September 30, 2015

7. Pension Plan – Continued:

Florida Retirement System – Continued

Pension Plan – Continued

Benefits Provided – Continued

Special Risk class members (firefighters) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited services.

For Plan members enrolled on or after July 2, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers' class members, and to age 60 or 30 years of service regardless of age for Special Risk class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

Contributions – Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015, respectively, were as follows: Regular – 7.37% and 7.26%; Special Risk – 19.82% and 22.04%; Senior Management Service – 21.14% and 21.43%; Elected Officers' – 43.24% and 42.27%; and DROP participants – 12.28% and 18.75%. These employer contribution rates include 1.20% and 1.26% HIS Plan subsidy for the periods October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015, respectively. The Town's contributions, including employee contributions, to the Pension Plan totaled \$62,176 for the fiscal year ended September 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2015, the Town reported a liability of \$329,394 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The Town's proportionate share of the net pension liability was based on the Town's 2014-15 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2015, the Town's proportionate share was 0.002550210 percent, which was an increase of 0.0005949810 percent from its proportionate share measured as of June 30, 2014.

TOWN OF MALABAR, FLORIDA

Notes to the Basic Financial Statements – Continued
September 30, 2015

7. Pension Plan – Continued:

Florida Retirement System – Continued

Pension Plan – Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Continued

For the fiscal year ended September 30, 2015, the Town recognized pension expense of \$23,550. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Town Pension Plan contributions subsequent to the measurement date	\$ 15,060	\$ -
Differences between expected and actual experience	34,774	7,812
Change of assumptions	21,863	-
Net difference between projected and actual earnings on Pension Plan investments	-	78,653
Changes in proportion and differences between Town Pension Plan contributions and proportionate share of contributions	<u>158,298</u>	<u>-</u>
	<u>\$ 229,995</u>	<u>\$ 86,465</u>

A component of deferred outflows of resources related to the Pension Plan of \$15,060 resulting from Town contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other components reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan, except for changes in proportion and related differences in the share of contributions, will be recognized in pension expense (income) as follows:

Fiscal Year Ending September 30:	
2016	\$ (26,058)
2017	(26,058)
2018	(26,058)
2019	38,834
2020	7,541
Thereafter	<u>1,968</u>
	<u>\$ (29,831)</u>

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	7.65%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

TOWN OF MALABAR, FLORIDA

Notes to the Basic Financial Statements – Continued
September 30, 2015

7. Pension Plan – Continued:

Florida Retirement System – Continued

Pension Plan – Continued

Actuarial Assumptions – Continued

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

The long term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. 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. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-term bonds	18.00%	4.18%	4.05%	5.15%
High yield bonds	3.00%	6.79%	6.25%	10.95%
Broad U.S. equities	26.50%	8.51%	6.95%	18.90%
Developed foreign entities	21.20%	8.66%	6.85%	20.40%
Emerging market equities	5.30%	11.58%	7.60%	31.15%
Private equity	6.00%	11.80%	8.11%	30.00%
Hedge funds/absolute return	7.00%	5.81%	5.35%	10.00%
Real estate (property)	12.00%	7.11%	6.35%	13.00%
Total	100.00%			
Assumed inflation – mean		2.60%		2.00%

(1) As outlined in the Pension Plan's investment policy

Discount Rate – The discount rate used to measure the total pension liability was 7.65%. The Pension 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 calculation of the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the Town's Proportionate Share of the Net Position Liability to Changes in the Discount Rate – The following represents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.65%) or one percentage point higher (8.65%) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Town's proportionate share of the net pension liability (asset)	\$ 853,834	\$ 329,394	\$ (106,777)

TOWN OF MALABAR, FLORIDA

Notes to the Basic Financial Statements – Continued
September 30, 2015

7. Pension Plan – Continued:

Florida Retirement System – Continued

Pension Plan – Continued

Pension Plan Fiduciary Net Position – Detailed information regarding the Pension Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

HIS Plan

Plan Description – The HIS Plan is a cost-sharing multiple-employer defined pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided – For the fiscal year ended September 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions – The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2015, the HIS contribution for the period October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015, was 1.20% and 1.26%, respectively. The Town contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The Town’s contributions to the HIS Plan totaled \$6,940 for the fiscal year ended September 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2015, the Town reported a liability of \$185,162 for its proportionate share of the HIS Plan’s net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The Town’s proportionate share of the net pension liability was based on the Town’s 2014-2015 fiscal year contributions relative to the 2013-2014 fiscal year contributions of all participating members. At June 30, 2015, the Town’s proportionate share was 0.001815594 percent, which was an increase of 0.000223512 percent from its proportionate share measured as of June 30, 2014.

TOWN OF MALABAR, FLORIDA

Notes to the Basic Financial Statements – Continued
September 30, 2015

7. Pension Plan – Continued:

Florida Retirement System – Continued

HIS Plan - Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Continued

For the fiscal year ended September 30, 2015, the Town recognized pension expense of \$13,795. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Town Pension Plan contributions subsequent to the measurement date	\$ 2,287	\$ -
Change of assumptions	14,567	-
Net difference between projected and actual earnings on Pension Plan investments	100	-
Changes in proportion and differences between Twon Pension Plan contributions and proportionate share of contributions	<u>26,542</u>	<u>-</u>
	<u>\$ 43,496</u>	<u>\$ -</u>

A component of deferred outflows of resources related to the HIS Plan, totaling \$2,287 resulting from Town contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other components reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan, except for changes in the proportion and related differences in the share of contributions, will be recognized in pension expense as follows:

Fiscal Year Ending September 30:

2016	\$	2,537
2017		2,537
2018		2,537
2019		2,517
2020		2,507
Thereafter		<u>2,034</u>
	<u>\$</u>	<u>14,669</u>

Actuarial Assumptions – The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%	
Salary increases	3.25%, average, including inflation	
Investment rate of return	4.29%	

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

TOWN OF MALABAR, FLORIDA

Notes to the Basic Financial Statements – Continued
September 30, 2015

7. Pension Plan – Continued:

Florida Retirement System – Continued

HIS Plan - Continued

Discount Rate – The discount rate used to measure the total pension liability was 3.8%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS Plan benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond index was adopted as the applicable municipal bond index.

Sensitivity of the Town’s Proportionate Share of the Net Position Liability to Changes in the Discount Rate – The following represents the Town’s proportionate share of the net pension liability calculated using the discount rate of 3.8%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.8%) or one percentage point higher (4.8%) than the current rate:

	1% Decrease (2.80%)	Current Discount Rate (3.80%)	1% Increase (4.8%)
Town's proportionate share of the net pension liability (asset)	\$ 210,984	\$ 185,162	\$ 163,631

Pension Plan Fiduciary Net Position – Detailed information regarding the HIS Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

8. Operating Leases:

As Lessor

The Town entered into an agreement with PJ Development, Inc. on January 16, 2006, to lease a parcel of land for a cellular phone tower. The lease term is five years and the base rental payment is \$1,200 per month for the first carrier with an increase of \$200 per month for each non-government user of the cellular phone tower. The lease is renewable for five successive terms of five years each. The current term expires in 2016. The base rent can be increased by 15% on each five-year anniversary of the lease. For the fiscal year ended September 30, 2015, the Town received \$18,960 in rental income under this agreement. The amount of minimum rentals to be received is as follows:

Fiscal Year Ending September 30, 2016	\$ <u>6,320</u>
--	-----------------

The carrying value of this land is not specifically identifiable.

TOWN OF MALABAR, FLORIDA

**Notes to the Basic Financial Statements – Continued
September 30, 2015**

8. Operating Leases – Continued:

As Lessee

The Town leases three copiers with expiring terms ranging from 2017 to 2019. Monthly rental payments range from \$187 to \$220 per month. For the fiscal year ended September 30, 2015, rental expense under all operating leases totaled \$10,904.

The following table is a schedule of future minimum payments under all leases:

Fiscal Year Ending September 30,	
2016	\$ 7,126
2017	6,026
2018	4,486
2019	4,114
	<u>21,752</u>
	<u>\$ 21,752</u>

9. Long-Term Obligations:

Changes in long-term obligations for the year ended September 30, 2015, were as follows:

	Balance October 1, 2014	Additions	Reductions	Balance September 30, 2015
Compensated Absences	\$ 66,044	\$ -	\$ 7,438	\$ 58,606
Net Pension Liability	268,162	246,394	-	514,556
	<u>\$ 334,206</u>	<u>\$ 246,394</u>	<u>\$ 7,438</u>	<u>\$ 573,162</u>

10. Risk Management:

The Town is exposed to various risks of loss related to torts; theft or damage and destruction of assets, errors, and omissions; and natural disasters. In order to limit its exposure to these risks, the Town is a participant in the Florida League of Cities (a not-for-profit corporation) self-insurance program for workers compensation, general and auto liability, and property insurance. The self-insurance program purchases excess and specific coverages from third party insurance carriers. Participants in the program are billed annually for their portion of the cost of the program adjusted for actual experience during the period of coverage. Participants are not retroactively assessed for unanticipated losses incurred by the program. Premiums paid by the Town during the year totaled \$61,272. There have been no significant reductions in insurance coverages during the fiscal year 2015. Settled claims have not exceeded insurance coverage in any of the past three years.

TOWN OF MALABAR, FLORIDA

**Notes to the Basic Financial Statements – Continued
September 30, 2015**

11. Commitments, Contingencies, and Subsequent Events:

A. Litigation

During the ordinary course of its operations, the Town is party to various claims, legal actions, and complaints. Some of these matters are covered by the Town’s insurance program. Those which are not covered are handled by various law firms retained by the Town. Management does not believe that any such matters would have a material impact on the Town’s basic financial statements.

B. Grant Expenditures

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although management expects such amounts, if any, to be immaterial.

12. Other Required Individual Fund Disclosures:

Accounting principles generally accepted in the United States of America require disclosure, as part of the basic financial statements, of certain information concerning individual funds including:

A. Fund Balance

The Town’s fund balance is as follows at September 30, 2015:

	<u>General Fund</u>	<u>Total</u>
Nonspendable:		
Prepays	\$ 1,195	\$ 1,195
Committed:		
Stormwater	144,923	144,923
Unassigned	<u>826,134</u>	<u>826,134</u>
Total fund balance	<u>\$ 972,252</u>	<u>\$ 972,252</u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF MALABAR, FLORIDA

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual –
Governmental Funds
Year Ended September 30, 2015**

	General Fund				
	Original Budget	Budget Adjustments	Final Budget	Actual	Variance
Revenues:					
Ad valorem taxes	\$ 325,926	\$ -	\$ 325,926	\$ 332,112	\$ 6,186
Franchise fees	243,400	-	243,400	242,569	(831)
Utility taxes	262,100	-	262,100	277,332	15,232
Licenses, permits, and fees	119,325	-	119,325	107,826	(11,499)
Intergovernmental revenue	499,978	-	499,978	503,821	3,843
Fines and forfeitures	200	-	200	69	(131)
Investment earnings	778	-	778	1,867	1,089
Miscellaneous	139,865	1,438	141,303	34,310	(106,993)
Total revenues	<u>1,591,572</u>	<u>1,438</u>	<u>1,593,010</u>	<u>1,499,906</u>	<u>(93,104)</u>
Expenditures:					
Current operating:					
General government	445,418	(3,249)	442,169	490,783	(48,614)
Public safety – fire	451,514	(10,954)	440,560	350,757	89,803
Physical environment	727,261	25,536	752,797	632,175	120,622
Culture and recreation	29,878	3,100	32,978	30,551	2,427
Capital outlay	34,695	(12,995)	21,700	126,741	(105,041)
Total expenditures	<u>1,688,766</u>	<u>1,438</u>	<u>1,690,204</u>	<u>1,631,007</u>	<u>59,197</u>
Deficiency of Revenues Over Expenditures	(97,194)	-	(97,194)	(131,101)	(33,907)
Fund Balance, beginning of year	<u>1,103,353</u>	-	<u>1,103,353</u>	<u>1,103,353</u>	-
Fund Balance, end of year	<u>\$ 1,006,159</u>	<u>\$ -</u>	<u>\$ 1,006,159</u>	<u>\$ 972,252</u>	<u>\$ (33,907)</u>

SUPPLEMENTARY FINANCIAL REPORTS COMPLIANCE SECTION

**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***

Honorable Mayor and Town Council
Town of Malabar, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Town of Malabar, Florida (the "Town"), as of and for the year ended September 30, 2015, 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 30, 2016.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Withum Smith + Brown, PC

Orlando, Florida
June 30, 2016

**Management Letter Required by Section 10.550 of the Rules
of the Auditor General of the State of Florida**

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 (the "Town"), as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated June 30, 2016.

Auditors' Responsibility

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

Other Reports

We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports, which are dated June 30, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no prior findings.

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. There are no component units related to the Town.

Financial Condition

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

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, requires that we report the results of our determination as to whether the annual financial report of the Town for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

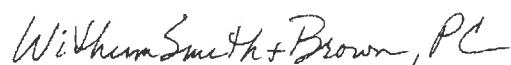
Other Matters

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 did not have any such recommendations.

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

Purpose of this Letter

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



Orlando, Florida
June 30, 2016

**Independent Accountants' Report on Compliance
With Section 218.415, Florida Statutes**

Honorable Mayor and Town Council
Town of Malabar, Florida

We have examined the Town of Malabar, Florida's (the "Town") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2015. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Town's compliance with specified requirements.

In our opinion, the Town complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

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

WithumSmith+Brown, PC

Orlando, Florida
June 30, 2016

MALABAR TOWN COUNCIL REGULAR MEETING

July 18, 2016 7:30 PM

This meeting of the Malabar Town Council was held at Town Hall at 2725 Malabar Road.

A. CALL TO ORDER:

The meeting was called to order at 7:35 pm by Council Chair Mayor Phil Crews. CM Korn led the prayer and pledge.

B. ROLL CALL:

COUNCIL CHAIR:	Mayor PHIL CREWS
VICE-CHAIR:	BRIAN VAIL
COUNCIL MEMBERS:	GRANT BALL, excused
	DON KRIEGER
	DICK KORN
	RICHARD KOHLER
TOWN ADMINISTRATOR:	DOUGLAS HOYT
TOWN ATTORNEY:	KARL BOHNE
TOWN CLERK/TREASURER:	DEBBY FRANKLIN

For the Record, the Fire Chief Christopher Robinson was also present. Outside Auditor Raymond Bastin was also present.

C. ADDITIONS, DELETIONS, CHANGES APPROVAL OF AGENDA Mayor wants to add one item that is time sensitive and is the contradictions in the Home BTR regulations.

D. APPROVAL OF THE MINUTES:

1. Regular Council Meeting of 6/20/16

Exhibit: Agenda Report No. 1

Recommendation: Request Approval

MOTION: CM Vail / CM Kohler to approve RTCM 6/20/16 as corrected. Discussion: Mayor stated on Pg 3, motion from Krieger/Ball to rescind not reconsider.

VOTE: All Ayes.

E. SHERIFF REPORT: Lt. Gamin gave brief stats for June – they responded to 5,600 calls for assistance in south Precinct; 352 from Malabar; ag marine patrol, 4X4 trucks. They ran traffic detail seven times during the month and issued 27 traffic citations.

F. AUDITOR'S REPORT FOR FY 2014/15 – Ray Bastin, Withum

Merged with larger firm. Done the audit here several years. GASB 68 slowed some of the timing. Pg 1, auditor's opinion. It is a clean opinion. Pg 2, 2nd para, prior period adjustment due to GASB, so it impacted prior years. Last para discusses the other standards.

Pg 3, Management Response, Assets and deferred exceeds the outflows. GASB changed the term-deferred revenue and deferred liability to inflows and outflows. It is just terminology. Second bullet, P5 5, govt wide financial statements from GF does not include assets and reserves. Net pension liability – future liabilities. In past you just estimated. Now it has to go on balance sheet. Pg 6, compared to 2014, advalorum increased. Expenses also increased. Ad valorum by 36K 1.8 from 1.66, public safety increased. Pg 7 & 8 discussion and analysis. Pg 10 govt wide, long-term debt and assets. Net position 3,568,000 – which is good. Pg 11 is your income statement. Loss of 205K for the year. It is restated due to GASB 68. Next page, numbers are different. Pg 13, rev, 1.5mil; exp 1.6 mil with deficiency It is different from Govt wide. Pg 15, 16 begins the footnotes, accounting procedures, Pg 17 capital assets. Pg 18, Pg 20 the new accounting standards. GASB 68. 323K is everything before FY 2015. Pg 22, AP, Footnote 7 thru page 28 are FRS disclosures requirements.

Pg 29, copier's town leases. Footnote 9 long-term obligations. Footnote 10, 11, 12 are misc disclosures. Pg 31 budget, Budget Adj and actual. Net deficiency is almost 34K.

Finally, they give the clean opinion that there were no internal control deficiencies. Pg 34, Management letter required by the Auditor Gen required.

Pg 36, another requirement by F.S. re: investment policies. That's it.

G. ATTORNEY REPORT: Discussed the tour TA gave him of the culvert issues in Town. Houses built without culverts; failed culverts that need replacing, or set to wrong elevation or wrong size. He reviewed code and blocked culverts are not referenced. Who is responsible? It should be the homeowner so drainage is free flowing. Highly recommend council amend code to allow lien rights when the homeowner refuses to comply. CM Vail asked about notification – is it in code. Atty said there is language in the code but it needs to be stricter. CM Korn said he represents District 4, and there are places that do not have culverts on Weber. Town replaced all the homeowner's culverts on the west side, north of Hall. CM Korn said we need to make it doable for the homeowner to pay - give those 5 years to pay back. CM Vail agrees. CM Vail said he agrees if the Town does it, they should be able to recover costs. Chair said Council can direct Atty to draft ordinance – Atty said the lien rights at a minimum. He asked about maintenance. Kind of like mowing. He thinks every resident should do that. TA agreed with Atty and Mayor. Atty said town has the inherent ability to “help” residents clean the culverts, as it will help the entire system.

H. STAFF REPORTS: ADMINISTRATOR:

FDOT and Moffit Nichols is holding a PH re: the improvements on SR514. Nationwide, traffic incidents are going down. Not in Malabar. Malabar had five fatalities in the last 5 years. Feds consider each fatality worth 2.5Mil. It is critical to the safety of our residents. CM Korn said we need to also have turn lanes on Corey and Weber north bound. FDOT is only talking about turn lanes on Malabar Road. Had a meeting last Thursday with Moffit Nichols. This project has been going on since 1998 from the records he has seen. Urged all to attend.

Several months ago, they made adjustments in the permit fees and is happy to report we may end the year on the positive side.

Thanked North Florida Emulsion for fixing Weber and Glatter even though the warranty expired 9/15. Lastly, he read his report. (attached). If you double the advolorum. For the last 20 years, we have done the same thing. If you want the same results, continue to do the same thing. Strongly recommend Council set the tentative millage at 5mil. He referenced the millages from all the other cities.

He referred to spreadsheet he had placed before them. Every year other than one (2011) we have had spent more than we brought in. He is proposing we increase the millage to 5mils in order to comply with TRIM requirements. That increase could be offset by having one less cup of coffee per day. We can adjust it down accordingly during the workshop process. CM Korn said GV has lower millage but they have special assessments. We are not providing the necessary services. TA said he would gladly pay more to keep his car clean and not breathe the dust and pay for alignments. That is not even two months' cell phone bills. Solve this problem with the roads.

CLERK: nothing

FIRE CHIEF:

BOARD REPORTS: P&Z, Chair Pat Reilly stated they have been slow the last two months. They are also working on the 5-year plan

PARK & RECREATION, no rep

T&G COMMITTEE, Drew Thompson Chair, quick update. Trying to plan for the future.

Complemented Hoyt about thinking outside the box. They are looking at connectivity with other

towns. Enhance Malabar and other communities. Tremendous amount of land is off tax roll by EELp. Trails will be a limited commodity. Challenged to plan for the future. Town has a fiduciary responsibility to do what is needed and provide for the needed services. He applauds what TA Hoyt proposed in his report. Looking forward to getting the septic system in at trailhead. They will be coming before Council for a lightning structure for the Cameron Preserve. It will provide a safe place for hikers and cyclists to wait out quick moving lightning storms. Cameron Preserve is between the two Malabar Scrub sanctuaries. Questions? CM Vail asked about north Rocky Point Road. Drew said he was down there and saw a load of firewood ready for the next island party. He understands they are still trying to determine who has rights to the area.

EVENTS COMMITTEE

Mayor asked for consensus of the organization statement he had handed out re: The Events Committee. Council consensus given.

Vice-Chair of Events Committee, Ricky Bisnath, commits 100% of his support to this committee to put on events that will benefit the Town. In addition, they want to be a standalone committee. They have a good group of people to do this. They are going to make it happen. Let us put on the events and make more money for the Town. Mayor said they would have their meetings on the 4th Thursday of month, report to Council, and convey minutes and agendas to the Town in a timely manner.

I. PUBLIC COMMENTS: Comments at this point may address items NOT on the Agenda. Comments related to subsequent Agenda Items may be made as those items come up. Public comments do not require a Council response. (Speaker Card is Required) **Five (5) Minute Limit per Speaker.**

Added item I.5 CM Dick Korn – In the past when we have been asked to vacate and Set policy of not vacating unless it benefits the public. It may come at the request of a person but if it not a benefit to the town it should not be vacated. Atty said that is the policy; you cannot sell it or barter it, but if no longer serves a public need, it can be vacated.

J. PUBLIC HEARINGS/SPECIAL ORDERS: 2

2. Referendum Question for Ballot – Single District Voting 2nd Reading of Ord 2016-01
AN ORDINANCE OF THE TOWN OF MALABAR, BREVARD COUNTY FLORIDA; REPEALING ORDINANCE 2014-09; CALLING AND SCHEDULING A PERIODIC ELECTION TO DETERMINE IF THE TOWN SHOULD CONTINUE TO PARTICIPATE IN THE BREVARD COUNTY MUNICIPAL SERVICE TAXING UNIT (MSTU) FOR LAW ENFORCEMENT; CALLING AND SCHEDULING A PERIODIC ELECTION TO DETERMINE IF THE TOWN SHOULD AMEND THE CHARTER, SECTION 2.02 TO CHANGE THE CURRENT WAY TOWN COUNCIL MEMBERS ARE ELECTED FROM "AT-LARGE" TO BEING ELECTED "BY DISTRICT"; PROVIDING FOR THE MANNER IN WHICH SUCH ELECTION SHALL BE CONDUCTED; ESTABLISHING THE FORM OF THE BALLOT FOR SUCH ELECTION; PROVIDING AN EFFECTIVE DATE.

Exhibit: Agenda Report No. 2

Recommendation: Request Adoption on 2nd Reading

PH opened.

Pat Reilly asked about periodic and would like to change it to a specific. If it is voted in favor, then the ordinance requiring it on ballot every two years should be repealed.

CM Vail said that was his requirement. At some point in the future, we may be able to have our own police dept. Eliminate the "periodic" in the second questions. If it is done separately, it will increase the cost for five ballots.

PH closed.

Discussion: Mayor gave history of how it was actually being done. Before the only correct election was for the Mayor as it was "at-large" because the Supervisor of Elections did not have the ability to determine five separate districts.

MOTION: CM Vail / CM Kohler to approve second reading of Ord 2016-01.

MOTION: (on amendment) CM Krieger / Vail amend motion to remove the 2nd reference to Brevard Cty MSTU for law enforcement in the instructions. **Vote:** All Ayes.

ROLL CALL VOTE on original motion: CM Ball, Excused; CM Vail, Aye; CM Krieger, Aye; CM Korn, Aye; CM Kohler, Aye. Motion approved 4 to 0.

3. Request to Vacate Portion of Johnston Avenue Reso 08-2016

A RESOLUTION OF THE TOWN OF MALABAR, BREVARD COUNTY, FLORIDA VACATING AND ABANDONING AN UNDEVELOPED STREET RIGHT-OF-WAY MORE PARTICULARLY DESCRIBED IN THIS RESOLUTION AS EXHIBIT "A"; PROVIDING FOR AN EFFECTIVE DATE.

Exhibit: Agenda Report No 3

Recommendation: Request Action on Reso 08

PH opened –

Robert Marks, AAA Storage, applicant, just trying to increase the SF of his lot so he can join his 8.5 acres to the 1.5 acres he just bought. Without joining the parcels, he will not be able to expand and build a new building, which would increase the tax revenue for the Town.

Doug Gerlock, has property in the area. He is still kind of locked in. He was hoping that Mary Street would be improved. He lost his access since the pie shaped piece (Carmichael) was sold to AAA; he used it to access his parcels 5-8. It will create a real hardship to him. This would hurt him. Maybe he is willing to sell. He cannot get Mary St improved without paying 50K.

Alisha Kline: they own the property just west of AAA. They are not opposed to it.

Pat Reilly as Chair of P&Z. Voted 3 to 2 to deny. Another point that was proposed was to move the ROW to the north side of the pie shaped parcel. Pat said on the positive side if he joins the applicant if the property and improves it we will get more tax revenue. He voted against it because he asked if the new parcel would be, accessed W. Railroad Avenue and the applicant said yes.

Applicant Robert Marks: Never got the chance to meet his new neighbors. Johnston only got cleared because he cleared it. At no cost to Town, he is planning to improve W. Railroad Avenue. Atty Bohne stated that you can do that separately but not as a condition of the vacate.

PH closed

CM Vail / CM Kohler to approve vacate. Discussion. CM Vail suggested moving the ROW to the north side of the pie shaped parcel he wants to develop. Much discussion on why W. Railroad Ave was being used to benefit his business.

MOTION: CM Korn / CM Krieger to table to next meeting August 1st. **Vote:** All Ayes

Added Item 3.5 Mr. Fuller and his issue with a BTR that has contradictory. He applied for BTR from Malabar, it was issued, and he has received his renewal notice. When he took Malabar's BTR to the County the County said a FFL (Fla Firearm License) was required. Land Usage. If he was repairing, something is that manufacturing. He is up against a time crunch. If you "Transfer" the gun. Atty said it is absurd. Mr. Fuller needs a letter saying customers could come to home, can have parts delivered and will not conflict with residents. He is repairing firearms. Fuller trying to do it right. Atty can draft letter. TA, what is timeline? 60 days and they have used half. TA said he would have a letter authorization for operating from his home. TA acknowledged that a letter would be authorized per his request.

J. ACTION ITEMS:

ORDINANCES FOR FIRST READING: 2;

4. ORDINANCE NO. 2016-02 AN ORDINANCE OF THE TOWN OF MALABAR, FOR CODIFICATION, SEVERABILITY AND CONFLICTS; BREVARD COUNTY, FLORIDA; REPEALING SECTION 13-38(c) RELATING TO VARIANCES AUTHORIZED BY THE BOARD OF ADJUSTMENT; PROVIDING AN EFFECTIVE DATE.

Exhibit: Agenda Report No. 4

Recommendation: Request Approval of Ord 2016-01 for 1st

CM Vail / CM Korn to approve 1st Reading

ROLL CALL VOTE: CM Ball, Excused; CM Vail, Aye; CM Krieger, Aye; CM Korn, Aye; CM Kohler, Aye. Motion approved 4 to 0.

5. ORDINANCE NO. 2016-03– Recommendation from P&Z

AN ORDINANCE OF THE TOWN OF MALABAR, BREVARD COUNTY, FLORIDA; AMENDING ARTICLE III TABLE 1-3.2 ELIMINATING THE CONDITIONAL USE "C" FOR HOUSES OF WORSHIP WITHIN RESIDENTIAL ZONING DESIGNATIONS.; PROVIDING FOR CODIFICATION, SEVERABILITY AND CONFLICTS; PROVIDING AN EFFECTIVE DATE.

Exhibit: Agenda Report No. 5

Recommendation: Request Approval of Ord 2016-03 for 1st Reading

Motion: CM Vail / CM Kohler to send it back to P&Z to change the P to a C in R/LC. Vote on amendment. **Vote:** Ayes

MOTION: to approve the main motion.

ROLL CALL VOTE: CM Ball, Excused; CM Vail, Aye; CM Krieger, Aye; CM Korn, Aye; CM Kohler, Aye. Motion approved 4 to 0.

RESOLUTIONS:

6. Resolution Accepting the FY 2014/2015 Financial Audit (Reso 07-2016)

A RESOLUTION OF THE TOWN OF MALABAR, BREVARD COUNTY, FLORIDA, PROVIDING ACCEPTANCE OF THE ANNUAL AUDIT REPORT PROVIDED FOR FISCAL YEAR 2014/2015 BY THE AUDIT FIRM OF WITHUM SMITH & BROWN, PC (FORMALLY KNOWN AS AVERETT WARMUS DURKEE; AND PROVIDING AN EFFECTIVE DATE.

Exhibit: Agenda Report No. 6

Recommendation: Request Action

ROLL CALL VOTE: CM Ball, Excused; CM Vail, Aye; CM Krieger, Aye; CM Korn, Aye; CM Kohler, Aye. Motion approved 4 to 0.

Comment from Ricky Bisnath, Vice-Chair of Events Committee: The events committee wants more show cars with big trucks and motorcycles; wants to use more space at the park, introduce new things, and keep later hours use the SandHill Trailhead

MISCELLANEOUS:

7. Set Preliminary Maximum Millage and Date for 1st Public Hearing on the 2016/2017 Budget – DR-420

Exhibit: Agenda Report No. 7

Recommendation: Request Action

MOTION: CM Vail / CM Korn to approve 5mil as the Preliminary Maximum Millage and set the date of 9/6/16 for the 1st PH.

Discussion:

VOTE: Ayes, 3; Nay, 1 (Krieger).

8. Select Voting Delegate for the FLC Conference

Exhibit: Agenda Report No. 8

Recommendation: Request Action

MOTION: CM Kohler / CM Vail to appoint CM Kohler as voting delegate at the FLC conference in August. Discussion: none. **VOTE:** All Ayes.

9. Response to DEO re: Comp Plan – Recommendation by P&Z

Exhibit: Agenda Report No. 9

Recommendation: Request Action

MOTION: CM Kohler / CM Vail to approve the recommendations of P&Z Bd to notify DEO that we will be amending the Comp Plan to remove School Concurrency with no specifics.

Discussion: Discussion about the changes to the FLUM and removing School Concurrency from the Elements in the Comp Plan. **VOTE:** All Ayes.

10. Request from West Melbourne to Change SCLC Hosting Month to June

Exhibit: Agenda Report No. 10

Recommendation: Discussion

MOTION: CM Korn / CM Kohler to approve the change.

Discussion: Clerk said that they want to do something outdoors and June is too hot. G-V has no objections. **VOTE:** All Ayes.

11. Approve Stops Signs on Corey and Weber Roads

Exhibit: Agenda Report No. 11

Recommendation: Discussion

MOTION: CM Korn / CM Vail in the interest of public safety to approve adding the additional stop signs.

Discussion: CM Korn said we have to do this one at a time. Begin the process now. Let TA come back with details and schedule.

MOTION: Krieger to table / no 2nd.

VOTE on original Motioms: Ayes 3; Nay 1 (Krieger).

COUNCIL CHAIR MAY EXCUSE ATTORNEY AT THIS TIME 9:20pm.

K. DISCUSSION/POSSIBLE ACTION:

12. Discuss Amending Code to Remove Subdivisions as Exempt from Excavating

Exhibit: Agenda Report No. 12

Recommendation: Discussion

MOTION CM Krieger / CM Kohler to table. **VOTE:** All Ayes

MOTION: CM Krieger / CM Vail to extend meeting ten minutes. **VOTE:** All Ayes

L. PUBLIC COMMENTS: General Items (Speaker Card Required)

Pat Reilly said what info are you going to get in the next 2 weeks?

Alisha Kline again asked about what would happen if commercial traffic. Her house is very close

M. REPORTS – MAYOR AND COUNCIL MEMBERS

1 – Krieger will be bringing SW back with more information

2- Vail asked about the annual MSTU costs when we first adopted it. He agrees with impact fees. Should talking about how much we would have gone.

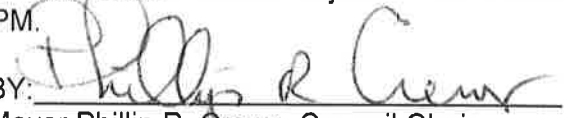
- 3- Kohler
- 4- Korn
- 5-
Mayor –
TA -

- N. ANNOUNCEMENTS:**
(2) Vacancies on the Board of Adjustment;
(3) Vacancies on the Park and Recreation Board;
(1) Vacancy on the Planning & Zoning Board

O. ADJOURNMENT:

P. ADJOURNMENT:

There being no further business to discuss, Chair stated without objection the meeting is adjourned. The meeting adjourned at 10:28 PM.

BY: 
Mayor Phillip R. Crews, Council Chair

(séal)

ATTEST:



Debby K. Franklin, C.M.C.
Town Clerk/Treasurer

Date Approved: 8/1/2016