

RESOLUTION 19-2014

A RESOLUTION OF THE TOWN OF MALABAR, BREVARD COUNTY, FLORIDA, PROVIDING ACCEPTANCE OF THE ANNUAL AUDIT REPORT PROVIDED FOR FISCAL YEAR 2012/2013 BY THE AUDIT FIRM OF AVERETT WARMUS DURKEE; AND PROVIDING AN EFFECTIVE DATE.

**WHEREAS**, an audit was conducted from November 2013 to January 2014, 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, 2013.

**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 2012/2013 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 Milucky. The motion was seconded by Council Member Acquaviva and, upon being put to a vote, the vote was as follows:

Council Member Jim Milucky  
Council Member Wayne Abare  
Council Member Steve Rivet  
Council Member Dick Korn  
Council Member Marisa Acquaviva

Aye  
Aye  
Aye  
Aye  
Aye

This Resolution was then declared to be duly passed and adopted this 07<sup>th</sup> day of July, 2014.

**TOWN OF MALABAR**

By:

Steve Rivet  
Steve Rivet, Chair

**ATTEST:**

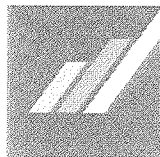
Debby K. Franklin  
Debby K. Franklin, CMC  
Town Clerk/Treasurer

(seal)

Approved as to form and content:

Karl W. Bohne, Jr.  
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, 2013**



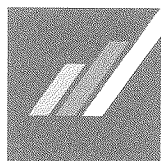
AVERETT  
WARMUS  
DURKEE

*Certified Public Accountants and Business Advisors*

# TOWN OF MALABAR, FLORIDA

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AVERETT  
WARMUS  
DURKEE

Certified Public Accountants and Business Advisors

## **Independent Auditors' Report**

Honorable Mayor and Town Council  
Town of Malabar, Florida

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, 2013, 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, 2013, 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.

Honorable Mayor and Town Council  
Town of Malabar, Florida

## **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 26 through 27 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 9, 2014, 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.

*Aurett Warmus Durkee*

Orlando, Florida  
June 9, 2014

## TOWN OF MALABAR, FLORIDA

### Management's Discussion and Analysis Year Ended September 30, 2013

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, 2013. 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 of the Town exceeded its liabilities at the close of the most recent fiscal year by \$4,243,504 (*net position*). Of this amount, \$923,100 (*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 \$31,920 (0.7%) due mainly to an increase of \$72,597 in general government expenses.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund equity of \$1,132,815, an increase of \$39,696 in comparison with the prior year. Of this amount, \$979,511 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 and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The 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, 2013

#### 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 can be divided into two categories: governmental funds and proprietary 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 balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains two individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund and the stormwater fund.

The Town adopts annual appropriated budgets for its general fund and its stormwater fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with each budget.

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

**Proprietary fund.** The Town sold its water department in fiscal year 2012 to the City of Palm Bay, Florida.

**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 24 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 and its stormwater fund. Required supplementary information can be found on pages 26 and 27 of this report.

# TOWN OF MALABAR, FLORIDA

## Management's Discussion and Analysis – Continued Year Ended September 30, 2013

### Government-Wide Financial Analysis

The table below summarizes the statements of net position:

Town of Malabar, Florida's Net Position

	Governmental Activities September 30,		Amount Change	% Change
	2013	2012		
Current	\$ 1,313,152	\$ 1,284,548	\$ 28,604	2.2 %
Capital Assets, net	<u>3,167,100</u>	<u>3,235,725</u>	<u>(68,625)</u>	<u>(2.1)</u>
Total assets	<u>4,480,252</u>	<u>4,520,273</u>	<u>(40,021)</u>	<u>(0.9)</u>
Long-Term Liabilities Outstanding	56,411	53,419	2,992	5.6
Other Liabilities	<u>180,337</u>	<u>191,430</u>	<u>(11,093)</u>	<u>(5.8)</u>
Total liabilities	<u>236,748</u>	<u>244,849</u>	<u>(8,101)</u>	<u>(3.3)</u>
Net Position:				
Invested in capital assets, net of related debt	3,167,100	3,235,725	(68,625)	(2.1)
Restricted	153,304	253,157	(99,853)	(39.4)
Unrestricted	<u>923,100</u>	<u>786,542</u>	<u>136,558</u>	<u>17.4</u>
Total net position	<u>\$ 4,243,504</u>	<u>\$ 4,275,424</u>	<u>\$ (31,920)</u>	<u>(0.7) %</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$4,243,504 at the close of the most recent fiscal year, a decrease of \$31,920 from the prior fiscal year.

The largest portion of the Town's net position (\$3,167,100 or 74.6%) 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, \$153,304, represents resources that are subject to external restrictions as to how they may be used. The remaining balance of *unrestricted net position*, \$923,100, 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 and for its separate governmental funds but not for its business-type activities.

# TOWN OF MALABAR, FLORIDA

## Management's Discussion and Analysis – Continued Year Ended September 30, 2013

### Government-Wide Financial Analysis – Continued

**Governmental and business-type activities.** The table below summarizes the statements of activities.

#### Town of Malabar, Florida

#### Changes in Net Position

	Governmental Activities		Business-Type Activities		Total			
	Year Ended September 30,		Year Ended September 30,		Year Ended September 30,		Amount	%
	2013	2012	2013	2012	2013	2012	Change	Change
Revenues:								
Program revenues:								
Charges for services	\$ 104,176	\$ 67,135	\$ -	\$ 174,449	\$ 104,176	\$ 241,584	\$ (137,408)	(56.9) %
General revenues:								
Ad valorem taxes	288,130	283,698	-	-	288,130	283,698	4,432	1.6
Franchise fees	220,789	212,156	-	-	220,789	212,156	8,633	4.1
Utility taxes	257,725	229,160	-	-	257,725	229,160	28,565	12.5
Intergovernmental	471,817	470,891	-	-	471,817	470,891	926	0.2
Investment earnings	1,374	4,505	-	141	1,374	4,646	(3,272)	(70.4)
Miscellaneous	46,445	37,697	-	-	46,445	37,697	8,748	23.2
Total revenues	<u>1,390,456</u>	<u>1,305,242</u>	<u>-</u>	<u>174,590</u>	<u>1,390,456</u>	<u>1,479,832</u>	<u>(89,376)</u>	<u>(6.0)</u>
Expenses:								
General government	487,010	414,413	-	-	487,010	414,413	72,597	17.5
Public safety — fire	250,022	255,921	-	-	250,022	255,921	(5,899)	(2.3)
Physical environment	647,937	647,439	-	-	647,937	647,439	498	0.1
Culture and recreation	37,407	46,528	-	-	37,407	46,528	(9,121)	(19.6)
Water	-	-	-	204,128	-	204,128	(204,128)	(100.0)
Total expenses	<u>1,422,376</u>	<u>1,364,301</u>	<u>-</u>	<u>204,128</u>	<u>1,422,376</u>	<u>1,568,429</u>	<u>(146,053)</u>	<u>(9.3)</u>
Deficiency of Revenues								
Over Expenses	(31,920)	(59,059)	-	(29,538)	(31,920)	(88,597)	56,677	(64.0)
Special Item – Gain on Sale of								
Water Utility	-	-	-	70,056	-	70,056	(70,056)	-
Increase (Decrease) in								
Net Position	(31,920)	(59,059)	-	40,518	(31,920)	(18,541)	(13,379)	72.2
Transfers	-	209,521	-	(209,521)	-	-	-	-
Net Position, beginning of year	<u>4,275,424</u>	<u>4,124,962</u>	<u>-</u>	<u>169,003</u>	<u>4,275,424</u>	<u>4,293,965</u>	<u>(18,541)</u>	<u>(0.4)</u>
Net Position, end of year	<u>\$ 4,243,504</u>	<u>\$ 4,275,424</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,243,504</u>	<u>\$ 4,275,424</u>	<u>\$ (31,920)</u>	<u>(0.7) %</u>

**Governmental activities.** Key elements which resulted in the net decrease are as follows:

- Charges for services decreased in total by \$137,408 or 56.9% however, this was due in large part to the sale of the water system in September 2012. The increase in charges for services in governmental activities of \$37,041 is caused mainly by an increase in building permits.
- Ad valorem taxes increased in the general fund by \$4,432 compared to 2012 or 1.6%. The Town's millage rate was 1.6630 for both 2013 and 2012.
- Utility taxes increased by \$28,565 or 12.5% due mainly to increase economic activity.
- General government expenses increased by \$72,597 or 17.5% due to increases in expenses in general.
- Water department expenses decreased by \$204,128 due to the sale of the water system in September 2012.

**Business-type activities.** The Town sold its water system property, plant, and equipment ("water system") in September 2012.

# TOWN OF MALABAR, FLORIDA

## Management's Discussion and Analysis – Continued Year Ended September 30, 2013

### 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 combined ending fund balances of \$1,132,815, an increase of \$39,696 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 \$979,511. 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 83% 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 \$12,425 more than budgeted amounts (due to reduced franchise fees and building permit revenue) and expenditures were \$379,870 less than budgeted amounts due (due to timing of capital expenditures). Stormwater fund revenues were \$230,870 less than budgeted amounts and stormwater expenditures were \$130,721 less than budgeted amounts (due to the timing of capital expenditures).

Additional information on budgetary comparisons between the final budget and actual results can be found on pages 26 and 27 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, 2013, amounts to \$3,167,100 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure, including water systems.

The table below summarizes the capital assets of the Town:

#### Town of Malabar, Florida

#### Capital Assets

	Governmental Activities September 30,		Amount Change	% Change
	2013	2012		
Land	\$ 1,885,750	\$ 1,885,750	\$ -	-
Buildings and Improvements	825,243	806,144	19,099	2.4
Machinery and Equipment	2,324,687	2,316,362	8,325	0.4
Infrastructure	979,525	846,136	133,389	15.8
Total at cost	6,015,205	5,854,392	160,813	2.7
Less Accumulated Depreciation	(2,848,105)	(2,618,666)	(229,439)	8.8
	<u>\$ 3,167,100</u>	<u>\$ 3,235,726</u>	<u>\$ (68,626)</u>	<u>(2.1) %</u>

Additional information on the Town's capital assets can be found in Note 5 on page 21 of this report.

## **TOWN OF MALABAR, FLORIDA**

### **Management's Discussion and Analysis – Continued Year Ended September 30, 2013**

#### **Capital Assets and Debt Administration – Continued**

**Long-term obligations.** At September 30, 2013 and 2012, the Town had \$56,411 in long-term obligations outstanding. This amount represent the Town's compensated absences at September 30, 2013. There were additions to long-term obligations in the current year of \$2,990. Additional information on the Town's long-term obligations can be found in Note 10 on page 23 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 Bonilyn Wilbanks, 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, 2013**

<b>Assets</b>	<b>Governmental Activities</b>
Cash and Cash Equivalents	\$ 1,083,234
Receivables	71,556
Due From Other Governments	30,167
Prepaid Items	1,195
Restricted Cash	<u>127,000</u>
	<u>1,313,152</u>
Capital Assets:	
Capital assets, not being depreciated – land	1,885,750
Capital assets, being depreciated, net	<u>1,281,350</u>
Total capital assets	<u>3,167,100</u>
 Total assets	 <u>4,480,252</u>
<b>Liabilities</b>	
Liabilities:	
Accounts payable	23,393
Accrued liabilities	19,678
Deferred revenue	137,266
Long-term obligations:	
Due after one year	<u>56,411</u>
 Total liabilities	 <u>236,748</u>
<b>Net Position</b>	
Investment in Capital Assets, net of related debt	3,167,100
Restricted	153,304
Unrestricted	<u>923,100</u>
 Total net position	 <u>\$ 4,243,504</u>

See accompanying notes.

# TOWN OF MALABAR, FLORIDA

## Government-Wide Statement of Activities Year Ended September 30, 2013

Functions/Programs	Total Expenses	Program Revenues Charges for Services	Net Revenue (Expense) and Changes in Net Position Governmental Activities
Governmental Activities:			
General government	\$ 487,010	\$ 103,855	\$ (383,155)
Public safety – fire	250,022	321	(249,701)
Physical environment	647,937	-	(647,937)
Culture and recreation	37,407	-	(37,407)
Total governmental activities	<u>\$ 1,422,376</u>	<u>\$ 104,176</u>	<u>(1,318,200)</u>
General Revenues:			
Ad valorem taxes			288,130
Franchise fees			220,789
Utility taxes			257,725
Intergovernmental			471,817
Investment earnings			1,374
Miscellaneous			46,445
Total general revenues			<u>1,286,280</u>
Deficiency of Revenues Over Expenses			<u>(31,920)</u>
Change in net position			(31,920)
Net Position, beginning of year, as restated (Note 2)			<u>4,275,424</u>
Net Position, end of year			<u>\$ 4,243,504</u>

See accompanying notes.

# TOWN OF MALABAR, FLORIDA

## Balance Sheet Governmental Funds September 30, 2013

Assets	General Fund	Stormwater Fund	Total Governmental Funds
Cash and Cash Equivalents	\$ 1,083,234	\$ -	\$ 1,083,234
Receivables	71,556	-	71,556
Due From Other Governments	30,167	-	30,167
Due From Other Funds	-	152,109	152,109
Prepaid Items	1,195	-	1,195
Restricted Cash	127,000	-	127,000
Total assets	\$ 1,313,152	\$ 152,109	\$ 1,465,261
<b>Liabilities and Fund Equity</b>			
Liabilities:			
Accounts payable	\$ 23,393	\$ -	\$ 23,393
Accrued liabilities	19,678	-	19,678
Deferred revenue and developer fee	137,266	-	137,266
Due to other funds	152,109	-	152,109
Total liabilities	332,446	-	332,446
Fund Equity:			
Fund balance:			
Nonspendable	1,195	-	1,195
Committed	-	152,109	152,109
Unassigned	979,511	-	979,511
Total fund equity	980,706	152,109	1,132,815
Total liabilities and fund equity	\$ 1,313,152	\$ 152,109	\$ 1,465,261
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position:			
Total fund balance – total governmental funds			\$ 1,132,815
Amounts reported for governmental activities in the statement of net position are different because:			
• Capital assets of \$6,015,205, net of accumulated depreciation of \$2,848,105, are not financial resources and, therefore, are not reported in the funds.			3,167,100
• Long-term liabilities of \$56,411 are not due and payable in the current period and are not reported in the funds.			(56,411)
Net position of governmental activities			\$ 4,243,504

See accompanying notes.

**TOWN OF MALABAR, FLORIDA**

**Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended September 30, 2013**

	General Fund	Stormwater Fund	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 288,130	\$ -	\$ 288,130
Franchise fees	220,787	-	220,787
Utility taxes	257,725	-	257,725
Licenses, permits, and fees	103,855	-	103,855
Intergovernmental revenue	405,464	66,353	471,817
Fines and forfeitures	321	-	321
Investment earnings	1,374		1,374
Miscellaneous	46,445	-	46,445
Total revenues	<u>1,324,101</u>	<u>66,353</u>	<u>1,390,454</u>
Expenditures:			
Current operating:			
General government	457,059	-	457,059
Public safety – fire	200,807	-	200,807
Physical environment	471,195	33,113	504,308
Culture and recreation	27,771	-	27,771
Capital outlay	27,424	133,389	160,813
Total expenditures	<u>1,184,256</u>	<u>166,502</u>	<u>1,350,758</u>
Excess (Deficiency) of Revenues Over Expenditures	139,845	(100,149)	39,696
Fund Balances, beginning of year	<u>840,861</u>	<u>252,258</u>	<u>1,093,119</u>
Fund Balances, end of year	<u>\$ 980,706</u>	<u>\$ 152,109</u>	<u>\$ 1,132,815</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			\$ 39,696
Amounts reported for governmental activities in the statement of activities are different because:			
• Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of \$229,439 exceeded capital outlays of \$160,813 in the current period.			(68,626)
• Change in long-term portion of compensated absences			<u>(2,990)</u>
Change in net position of governmental activities			<u>\$ (31,920)</u>

See accompanying notes.

## TOWN OF MALABAR, FLORIDA

### Notes to the Basic Financial Statements September 30, 2013

#### 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, 2013.

##### 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" requires the retroactive recording of infrastructure assets by 2008; however, small governments may 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.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns 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*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

## TOWN OF MALABAR, FLORIDA

### Notes to the Basic Financial Statements – Continued September 30, 2013

#### 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 funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *stormwater fund* is a special revenue fund used to account for 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, Liabilities, 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, 2013, the carrying amounts of the Town's deposits were \$1,210,234 and the bank balances of the Town's deposits were \$1,083,194. 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, 2013

### 1. Summary of Significant Accounting Policies – Continued:

#### F. Assets, Liabilities, 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.

As a Fund B participant, the Town owns a share of the respective pool, not the underlying assets. The SBA's interpretation in regards to Fund B is that it does not meet the requirements of an SEC 2a-7 like fund and, therefore, the fair value factor is derived by dividing the net position value (including accrued payables) by total participant balances in the pool. At September 30, 2013, this factor was 0.54639762. Therefore, the Town has reduced its carrying value of its investments in Pool B by \$756.

At September 30, 2013, the Town's investment in the State Pool consisted of:

	General Fund
Florida PRIME	\$ 26,899
Fund B	5,147
Total	<u>\$ 32,046</u>

The Town's investment in the State Pool exposes it to credit risk and, for Fund B, interest rate risk.

###### (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, 2013, 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.

## TOWN OF MALABAR, FLORIDA

### Notes to the Basic Financial Statements – Continued September 30, 2013

#### 1. Summary of Significant Accounting Policies – Continued:

##### F. Assets, Liabilities, and Net Position or Equity – Continued

##### (2) Town of Malabar's Investment Policies – Continued

##### (b) Credit Risk – Continued

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.

##### (3) Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." See Note 12 for details of interfund transactions, including receivables and payables, at year end.

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.

# TOWN OF MALABAR, FLORIDA

## Notes to the Basic Financial Statements – Continued September 30, 2013

### 1. Summary of Significant Accounting Policies – Continued:

#### F. Assets, Liabilities, and Net Position or Equity – Continued

##### (4) Capital Assets – Continued

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

Assets	Governmental Activities	Business-Type Activities
Buildings and improvements	5 – 50 years	N/A
Machinery and equipment	5 – 7 years	5 – 10 years
Infrastructure	7 – 20 years	7 – 20 years

##### (5) Deferred Revenue and Developer Fee

Deferred revenue recorded in the governmental funds relates to fees received prior to September 30, 2013, that are for fiscal year 2014 local business tax and other fees.

##### (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 forty-two and a half days. If an employee retires or terminates in good standing, they may sell back up to 240 hours of accrued sick leave. 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, 2013, fund balances of the governmental funds are classified as follows:

- Nonspendable 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.

## TOWN OF MALABAR, FLORIDA

### Notes to the Basic Financial Statements – Continued September 30, 2013

#### 1. Summary of Significant Accounting Policies – Continued:

##### F. Assets, Liabilities, and Net Position or Equity – Continued

###### (7) Fund Balances – Governmental Funds – Continued

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.

##### 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 budgets for the general fund and the stormwater fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
- There were twelve budget adjustments during the fiscal year ended September 30, 2013.
- 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, 2013

### 1. Summary of Significant Accounting Policies – Continued:

#### I. Subsequent Events

The Town has evaluated subsequent events through June 9, 2014, the date of which the financial statements were available to be issued.

### 2. Restatement of Net Position:

At September 30, 2012, the Town overstated its long-term obligations related to compensated absences.

The effect on net position in the government-wide statement of activities is as follows:

Net position at September 30, 2012, as originally reported	\$ 4,238,887
Prior period adjustment:	
Adjustment to compensated absences liabilities	<u>36,537</u>
Net position at September 30, 2012, as restated	<u>\$ 4,275,424</u>

### 3. Cash and Cash Equivalents:

Cash and cash equivalents at September 30, 2013, consist of the following:

	Governmental Fund Type General Fund	Financial Institution Balance
Unrestricted:		
Demand deposits	\$ 1,051,188	\$ 924,193
SBA	<u>32,046</u>	<u>32,001</u>
	1,083,234	956,194
Restricted:		
Demand deposits	<u>127,000</u>	<u>127,000</u>
Total cash and cash equivalents	<u>\$ 1,210,234</u>	<u>\$ 1,083,194</u>

<sup>1</sup>Restricted for road projects.

# TOWN OF MALABAR, FLORIDA

## Notes to the Basic Financial Statements – Continued September 30, 2013

### 4. Receivables and Due From Other Governments:

Receivables and due from other governments consists of the following at September 30, 2013:

Receivables:	
Utility taxes	\$ 25,283
Franchise fees	45,155
Other	<u>1,118</u>
Total receivables	<u>\$ 71,556</u>
Due From Other Governments:	
State of Florida	<u>\$ 30,167</u>

### 5. Capital Assets:

Capital asset activity for the year ended September 30, 2013, was as follows:

	Balance October 1, 2012	Additions	Balance September 30, 2013
Governmental Activities:			
Capital assets not being depreciated:			
Land	\$ 1,885,750	\$ -	\$ 1,885,750
Total capital assets not being depreciated	<u>1,885,750</u>	<u>-</u>	<u>1,885,750</u>
Capital assets being depreciated:			
Buildings and improvements	806,144	19,099	825,243
Machines and equipment	2,316,362	8,325	2,324,687
Infrastructure	<u>846,136</u>	<u>133,389</u>	<u>979,525</u>
Total capital assets being depreciated	3,968,642	160,813	4,129,455
Accumulated depreciation	<u>(2,618,666)</u>	<u>(229,439)</u>	<u>(2,848,105)</u>
Capital assets being depreciated, net	<u>1,349,976</u>	<u>(68,626)</u>	<u>1,281,350</u>
Government activities – capital assets, net	<u>\$ 3,235,726</u>	<u>\$ (68,626)</u>	<u>\$ 3,167,100</u>

Depreciation expense was charged to functions of the primary government for the year ended September 30, 2013, as follows:

General government	\$ 26,959
Public safety – fire	49,215
Physical environment	143,629
Culture and recreation	<u>9,636</u>
	<u>\$ 229,439</u>

# TOWN OF MALABAR, FLORIDA

## Notes to the Basic Financial Statements – Continued September 30, 2013

### 6. Accounts Payable and Accrued Liabilities:

Accounts payable and accrued liabilities consist of the following at September 30, 2013:

Accounts Payable:	
Vendors	\$ <u>23,393</u>
Accrued Liabilities:	
Salaries and benefits	\$ <u>19,678</u>

### 7. Ad Valorem Tax Revenues:

The Town's millage rate was \$1.6630 per \$1,000 of assessed value for the fiscal year 2013 and \$1.6630 for the fiscal year 2014. 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.

### 8. Employee Benefit Plans:

#### Defined Benefit Pension Plan

The Town has participated in the Florida Retirement System ("FRS") since November 2003, a cost sharing, multiple employer, public employee defined benefit plan created to provide a retirement and survivors' benefit program for participating public employees. Full-time and regular part-time employees participate in the FRS, which is administered by the State of Florida, Department of Administration, Division of Retirement. The FRS provides vesting of benefits after six years. Employees are eligible for normal retirement at age 62. Early retirement may be taken any time after ten years of service (eight years for elected county officials); however, there is a 5% benefit reduction for each year prior to normal retirement. Benefits are computed on the basis of age, average final compensation, and service credit. Average final compensation is the average of the five highest fiscal years of earnings. The FRS also provides death and disability benefits, which are established by state statutes.

Florida Statutes Chapter 121, which may be amended by Florida Legislature, determines contribution rates for the various membership classes of the FRS. The FRS issues a publicly available financial report that includes financial statements, ten-year historical trend information, and other required supplementary information. The complete financial report of the FRS may be obtained by writing Division of Retirement, 2639 North Monroe Street, Building C, Tallahassee, Florida 32399-1560; by contacting Research & Education by email at [rep@frs.state.fl.us](mailto:rep@frs.state.fl.us), or by phone at 850-488-5706 or SUNCOM 278-5706.

The contribution rates in effect during the year ended September 30, 2013, are as follows (contribution rates are in agreement with the actuarially determined rates):

	<u>Employee</u>	<u>Employer</u>	
		<u>October 1, 2012 – June 30, 2013</u>	<u>July 1, 2013 – September 30, 2013</u>
Senior management	3%	6.30%	18.31%
Regular employees	3%	5.18%	6.95%
Special risk employees	3%	14.90%	19.06%

# TOWN OF MALABAR, FLORIDA

## Notes to the Basic Financial Statements – Continued September 30, 2013

### 8. Employee Benefit Plans – Continued:

Contributions to the FRS, for fiscal year ended September 30, 2013, were equal to the required contribution of the annual covered payroll. Contributions to the FRS for fiscal years ended September 30, 2013, 2012, and 2011 were \$32,391, \$28,511, and \$51,421, respectively.

### 9. 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, 2013, the Town received \$16,560 in rental income under this agreement. The amount of minimum rentals to be received is as follows:

Fiscal Year Ending September 30,	
2014	\$ 16,560
2015	16,560
2016	<u>5,520</u>
	<u>\$ 38,640</u>

The carrying value of this land is not specifically identifiable.

### 10. Long-Term Obligations:

Changes in long-term obligations for the year ended September 30, 2013, were as follows:

	Balance October 1, 2012	Additions	Reductions	Balance September 30, 2013
Compensated Absences	\$ <u>53,421</u>	\$ <u>2,990</u>	\$ <u>-</u>	\$ <u>56,411</u>

### 11. 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 \$51,783. There have been no significant reductions in insurance coverages during fiscal year 2013. 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, 2013

### 12. 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.

### 13. 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. Interfund Transactions and Balances

Individual fund interfund receivable and payable balances at September 30, 2013, were:

Fund:	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds:		
General fund	\$ -	\$ 152,109
Stormwater	<u>152,109</u>	<u>-</u>
	<u>\$ 152,109</u>	<u>\$ 152,109</u>

The general fund collects revenues and pays expenses/expenditures for the stormwater fund. These interfund accounts arise as a result of this net activity.

#### B. Fund Balances

The Town's fund balances are as follows at September 30, 2013:

	<u>General Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
Nonspendable:			
Prepays	\$ <u>1,195</u>	\$ -	\$ <u>1,195</u>
Total nonspendable	<u>1,195</u>	<u>-</u>	<u>1,195</u>
Committed:			
Stormwater	<u>-</u>	<u>152,109</u>	<u>152,109</u>
Total committed	<u>-</u>	<u>152,109</u>	<u>152,109</u>
Unassigned	<u>979,511</u>	<u>-</u>	<u>979,511</u>
Total fund balance	<u>\$ 980,706</u>	<u>\$ 152,109</u>	<u>\$ 1,132,815</u>

## REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF MALABAR, FLORIDA**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual –  
Governmental Funds  
Year Ended September 30, 2013**

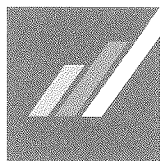
	General Fund		
	Original and Final Budget	Actual	Variance
Revenues:			
Ad valorem taxes	\$ 280,877	\$ 288,130	\$ 7,253
Franchise fees	215,600	220,787	5,187
Utility taxes	207,600	257,725	50,125
Licenses, permits, and fees	54,990	103,855	48,865
Intergovernmental revenue	391,515	405,464	13,949
Fines and forfeitures	164	321	157
Investment earnings	2,500	1,374	(1,126)
Miscellaneous	158,430	46,445	(111,985)
Total revenues	<u>1,311,676</u>	<u>1,324,101</u>	<u>12,425</u>
Expenditures:			
Current operating:			
General government	624,247	457,059	167,188
Public safety – fire	213,029	200,807	12,222
Physical environment	521,985	471,195	50,790
Culture and recreation	28,987	27,771	1,216
Debt service:			
Principal	9,500	-	9,500
Capital outlay	166,378	27,424	138,954
Total expenditures	<u>1,564,126</u>	<u>1,184,256</u>	<u>379,870</u>
Excess (Deficiency) of Revenues Over Expenditures	(252,450)	139,845	(392,295)
Fund Balances, beginning of year	<u>840,861</u>	<u>840,861</u>	<u>-</u>
Fund Balances, end of year	<u>\$ 588,411</u>	<u>\$ 980,706</u>	<u>\$ 392,295</u>

**TOWN OF MALABAR, FLORIDA**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual –  
Governmental Funds – Continued  
Year Ended September 30, 2013**

	Stormwater Fund		
	Original and Final Budget	Actual	Variance
Revenues:			
Intergovernmental revenue	\$ 297,223	\$ 66,353	\$ (230,870)
Total revenues	<u>297,223</u>	<u>66,353</u>	<u>(230,870)</u>
Expenditures:			
Current operating:			
Physical environment	69,144	33,113	36,031
Capital outlay	<u>228,079</u>	<u>133,389</u>	<u>94,690</u>
Total expenditures	<u>297,223</u>	<u>166,502</u>	<u>130,721</u>
Excess (Deficiency) of Revenues Over Expenditures	-	(100,149)	(100,149)
Fund Balances, beginning of year	<u>252,258</u>	<u>252,258</u>	<u>-</u>
Fund Balances, end of year	<u>\$ 252,258</u>	<u>\$ 152,109</u>	<u>\$ (100,149)</u>

SUPPLEMENTARY FINANCIAL REPORTS COMPLIANCE SECTION



AVERETT  
WARMUS  
DURKEE

Certified Public Accountants and Business Advisors

**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, 2013, 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 9, 2014.

**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 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*.

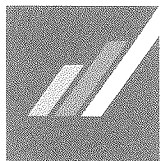
Honorable Mayor and Town Council  
Town of Malabar, Florida

**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.

*Auerett Warmus Durkee*

Orlando, Florida  
June 9, 2014



AVERETT  
WARMUS  
DURKEE

Certified Public Accountants and Business Advisors

**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

We have audited the financial statements of the Town of Malabar, Florida (the "Town"), as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated June 9, 2014.

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. 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 9, 2014, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local government entity audits performed in the state of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports:

- 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial report.
- Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Town complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., *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)4., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Town was incorporated in 1962 under Chapter 29576 of the laws of Florida. There are no component units related to the Town.
- Section 10.554(1)(i)6.a., *Rules of the Auditor General*, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida statutes, and identification of the specific conditions(s) met. In connection with our audit, we determined that the Town did not meet any of the conditions described in Section 218.503(1), Florida statutes.

Honorable Mayor and Town Council  
Town of Malabar, Florida

- Section 10.554(1)(i)6.b., *Rules of the Auditor General*, requires that we determine whether the annual financial report for the Town for the fiscal year ended September 30, 2013, 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, 2013. In connection with our audit, we determined that these two reports were in agreement.
- Sections 10.554(1)(i)6.c. and 10.556(7), *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.

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

*Auerett Warmus Durkee*

Orlando, Florida  
June 9, 2014