

RESOLUTION 09-2024

A RESOLUTION OF THE TOWN OF MALABAR, BREVARD COUNTY, FLORIDA, PROVIDING FOR THE ACCEPTANCE OF THE ANNUAL AUDIT REPORT PROVIDED FOR THE FISCAL YEAR 2022-2023 BY THE AUDIT FIRM JAMES MOORE AND CO.; AND PROVIDING FOR AN EFFECTIVE DATE.

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

WHEREAS, an annual audit was conducted by James Moore and Co., from October 2023 to May 2024 and all areas of the Town operations were tested; and

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

WHEREAS, the Town Council is satisfied that the Audit Report accurately reflects the financial condition of the Town's finances for the Fiscal Year ending September 30, 2023.

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

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

Section 2. The Town Council of Malabar, Brevard County, Florida, hereby ratifies, confirms, and certifies the Annual Audit report for the Fiscal Year of 2022/2023 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 Hofmeister. This motion was seconded by Council Member Vail and, upon being put to vote, the vote was as follows:

Council Member Marisa Acquaviva

Aye

Council Member Brian Vail

Aye

Council Member Jim Clevenger

Aye

Council Member David Scardino

Aye

Council Member Mary Hofmeister

Aye

This Resolution was then declared to be duly passed and adopted this 6th day of May 2024.

TOWN OF MALABAR

By: Patrick T. Reilly
Mayor Patrick T. Reilly, Council Chair

(Seal)



ATTEST:

Richard W. Kohler

Richard W, Kohler
Town Clerk

Approved as to Form and Content:

Karl Bohne Jr.

Karl Bohne Jr., Town Attorney

Exhibit "A" of Resolution 09-2024

TOWN OF MALABAR, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2023



TOWN COUNCIL

(AS OF FINANCIAL STATEMENT DATE)

Patrick Reilly, Mayor

Brian Vail

Jim Clevenger

Mary Hofmeister

David Scardino

Marisa Acquaviva

TOWN MANAGER

Lisa Morrell

TOWN CLERK

Richard Kohler

**TOWN OF MALABAR, FLORIDA
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SEPTEMBER 30, 2023**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and general fund of the Town of Malabar, Florida, (the Town), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Unmodified Opinion on General Fund

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the General Fund for the Town, as of September 30, 2023, and the respective changes in financial position and budgetary comparison information for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Qualified Opinion on Governmental Activities

In our opinion, except for the effects, if any, of the matter described in the *Basis for Qualified Opinion on Governmental Activities* section, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund and governmental activities of the Town of Malabar, Florida as of September 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Basis for Qualified Opinion on Governmental Activities

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2024, on our consideration of the Town’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town’s internal control over financial reporting and compliance.

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

Daytona Beach, Florida
April 29, 2024

Town of Malabar, Florida Management's Discussion and Analysis

As management of the Town of Malabar, Florida (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2023.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the 2023 fiscal year by \$5,425,283 (net position). Of this amount, \$3,705,251 is net investment in capital assets while restricted net position is \$372,689. \$1,347,343 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The total net position increased \$1,416,878 from the previous year.
- As of the close of fiscal year 2023, the Town's general fund reported no nonspendable balance, and ending fund balance of \$3,070,259, an increase of \$982,075 in comparison with the prior year. While \$372,689 represents the portion restricted by outside parties, \$609,143 is assigned for subsequent year expenditures, and \$2,088,427 of the governmental funds balance is available for spending at the government's discretion (unassigned fund balance).
- At the end of the 2023 fiscal year, unassigned fund balance for the general fund was \$1,980,955 or 66.19% of total general fund expenditures.
- The Town's financed acquisitions decreased by \$241,278 during the 2023 fiscal year due to ongoing payments on financed purchase agreements.
- The Town also experienced a gain on investment earnings in the current year of \$42,252 after a loss on investment earnings of (\$40,709) in the prior year. Investment assets are accounted for at fair value. In a rising interest rate environment, the spot price of certain bonds and securities will increase as reflected in the positive investment earnings number. Near term loss in value is the result of exposure to interest rate risk but will remain unrealized with the principal protected if these assets are held to maturity.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The governmental activities of the Town include general government, public safety, physical environment, and recreation. The government-wide financial statements can be found on pages 9-10 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town's only fund is the General Fund (a governmental fund).

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintained one individual governmental fund subsequent to the transfer of the stormwater fund into the general fund on October 1, 2013. Information is presented in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the general fund.

The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 11-15 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-30 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees. Required supplementary information can be found on pages 31-32 of this report.

Government-wide Financial Analysis

The following is a summary of the Town's governmental activities net position for each of the past two years:

TOWN OF MALABAR, FLORIDA'S NET POSITION

	Governmental Activities		\$	%
	September 30,			
	2023	2022	Change	Change
ASSETS				
Current	\$ 4,035,160	\$ 3,510,503	\$ 524,657	14.9%
Noncurrent	330,480	348,575	\$ (18,095)	-5.2%
Capital assets, net	4,077,534	3,651,908	425,626	11.7%
Total assets	<u>8,443,174</u>	<u>7,510,986</u>	<u>932,188</u>	<u>21.4%</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 444,334</u>	<u>\$ 422,900</u>	<u>\$ 21,434</u>	<u>5.1%</u>
LIABILITIES				
Current liabilities	\$ 1,068,170	\$ 1,557,236	\$ (489,066)	-31.4%
Long-term liabilities	1,992,187	1,928,090	64,097	3.3%
Total liabilities	<u>\$ 3,060,357</u>	<u>\$ 3,485,326</u>	<u>\$ (424,969)</u>	<u>-28.1%</u>
DEFERRED INFLOWS OF RESOURCES	<u>\$ 401,868</u>	<u>\$ 440,155</u>	<u>\$ (38,287)</u>	<u>-8.7%</u>
NET POSITION				
Net investment in capital assets	\$ 3,705,251	\$ 3,049,809	\$ 655,442	21.5%
Restricted	372,689	301,480	71,209	23.6%
Unrestricted	1,347,343	657,116	690,227	105.0%
Total net position	<u>\$ 5,425,283</u>	<u>\$ 4,008,405</u>	<u>\$ 1,416,878</u>	<u>150.1%</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities and deferred inflows by \$5,425,283 at the close of the 2023 fiscal year. The largest portion of the Town's net position (\$3,705,251 or 76.1%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure and improvements), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Of the remaining net position, \$372,689 represents resources that are subject to external restrictions on how they may be used. The remaining balance of the net position which represents amounts available to meet the Town's ongoing obligations to citizens and creditors at the discretion of the Commission is \$1,347,343 for the 2023 fiscal year.

At the end of the current fiscal year, the Town is able to report positive balances in the three categories of net position for the government as a whole.

The following is a summary of the changes in the Town's governmental activities net position for each of the past two years:

**TOWN OF MALABAR, FLORIDA
CHANGES IN NET POSITION**

	Governmental Activities		\$ Change	% Change
	September 30,			
	2023	2022		
Revenues				
Program revenues				
Charges for services	\$ 486,991	\$ 444,268	\$ 42,723	9.6%
Operating grants	181,259	123,408	57,851	46.9%
Capital grants	581,886	317,380	264,506	83.3%
General revenues				
Property taxes	1,497,830	730,451	767,379	105.1%
Sales and use taxes	222,224	217,741	4,483	2.1%
Utility taxes	379,639	346,814	32,825	9.5%
Franchise and utility taxes	316,484	297,890	18,594	6.2%
Communications service taxes	113,896	107,716	6,180	5.7%
Intergovernmental shared revenue - non-program	127,885	120,134	7,751	6.5%
Investment earnings	42,252	(40,709)	82,961	-203.8%
Gain on sale of assets	-	49,239	(49,239)	-100.0%
Miscellaneous revenues	9,092	897	8,195	913.6%
Total revenues	3,959,438	2,715,229	1,244,209	45.8%
Expenses				
General government	1,049,931	953,622	96,309	10.1%
Public safety	915,047	828,074	86,973	10.5%
Physical environment	117,681	128,818	(11,137)	-8.6%
Transportation	360,434	357,901	2,533	0.7%
Culture and recreation	94,881	108,421	(13,540)	-12.5%
Interest on long-term debt	4,586	13,452	(8,866)	-65.9%
Total expenses	2,542,560	2,390,288	152,272	6.4%
Change in net position	1,416,878	324,941	1,091,937	336.0%
Net position, beginning of year	4,008,405	3,683,464	324,941	8.8%
Net position, end of year	\$ 5,425,283	\$ 4,008,405	\$ 1,416,878	35.3%

Governmental activities

Governmental activities increased the Town's net position by \$1,416,878. This amount is primarily attributable to ARPA revenue recognized in the current year of \$581,886.

- The Town's total revenues related to governmental activities increased by \$1,244,209 from the prior year. Factors that contributed to an increase in revenues are an increase in ARPA revenue recognized in the current year of \$581,886, an increase in property taxes of \$767,379 and an increase for investment gains in the current year of \$42,252.
- Expenses related to governmental activities increased by \$152,272 from the prior year. This is related primarily to an increase in general government expenditures of \$96,309 and public safety expenditures of \$86,973, largely from expenditures related to ARPA expenditures considered capital outlay in FY23 and FY22 expenditures related to general government.

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 \$3,070,259, an increase of \$982,075 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 \$2,088,427. 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 66.19% 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 \$863,316 more than budgeted amounts primarily due to intergovernmental revenues being under budget by \$631,017 due to more ARPA revenue being recognized in the current year than originally budgeted. Expenditures were \$3,975,880 less than budget primarily due to favorable variances in contingency expenditures related to ARPA funding that were delayed (approximately \$766,567), in transportation expenditures from projects that were delayed (approximately \$2,799,983).

Budgetary comparisons between the final budget and actual results can be found on page 15 of this report.

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental activities as of September 30, 2023, amounts to \$4,077,534 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities and roads. Additional information on the Town's capital assets can be found in Note (5) on page 23 of this report.

Long-term debt. The following items comprise the Town's long-term debt (excluding the net pension liability) as of September 30, 2023:

Financed Acquisitions	\$	186,203
Clean Water State Revolving Fund loan		186,080
Compensated absences		99,533
Total	\$	<u>471,816</u>

The Town's long-term liabilities increased by \$208,545 during the current fiscal year. This increase was attributable primarily to an increase in the net pension liability. Additional information on the Town's long-term liabilities can be found in Note (6), on page 24 of this report.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Makayla Austin, Town Treasurer, Town of Malabar, Florida.

TOWN OF MALABAR, FLORIDA
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2023

ASSETS

Cash and cash equivalents	\$ 2,592,194
Investments	1,162,009
Receivables, net	146,734
Due from other governments	68,589
Leases receivable	349,109
Investments	47,005
Capital assets:	
Non-depreciable capital assets	2,116,745
Other capital assets, net of accumulated depreciation	1,960,789
Total assets	<u>\$ 8,443,174</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions	<u>\$ 444,334</u>
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LIABILITIES

Accounts payable and accrued liabilities	\$ 160,844
Unearned revenue	798,172
Accrued interest payable	5,399
Noncurrent liabilities:	
Due within one year:	
Bonds and notes payable	9,260
Leases payable	44,729
Compensated absences	49,766
Due in more than one year:	
Bonds and notes payable	176,820
Leases payable	141,474
Compensated absences	49,767
Net pension liability	1,624,126
Total liabilities	<u>\$ 3,060,357</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to leases	\$ 336,365
Deferred inflows related to pensions	65,503
Total deferred inflows of resources	<u>\$ 401,868</u>

NET POSITION

Net investment in capital assets	\$ 3,705,251
Restricted for:	
Building department	372,689
Unrestricted	1,347,343
Total net position	<u>\$ 5,425,283</u>

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

**TOWN OF MALABAR, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
General government	\$ 1,049,931	\$ 354,761	\$ -	\$ 581,886	\$ (113,284)
Public safety	915,047	-	-	-	(915,047)
Physical environment	117,681	132,230	43,405	-	57,954
Transportation	360,434	-	137,854	-	(222,580)
Culture and recreation	94,881	-	-	-	(94,881)
Interest on long-term debt	4,586	-	-	-	(4,586)
Total governmental activities	<u>\$ 2,542,560</u>	<u>\$ 486,991</u>	<u>\$ 181,259</u>	<u>\$ 581,886</u>	<u>(1,292,424)</u>
General revenues:					
Property taxes					1,497,830
Sales and use taxes					222,224
Utility taxes					379,639
Franchise and utility taxes					316,484
Communications service taxes					113,896
Intergovernmental shared revenue - non-program					127,885
Investment earnings (loss)					42,252
Miscellaneous revenues					9,092
Total general revenues					<u>2,709,302</u>
Change in net position					1,416,878
Net position - beginning					4,008,405
Net position - ending					<u>\$ 5,425,283</u>

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

**TOWN OF MALABAR, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 2,592,194
Investments	1,209,014
Receivables, net	146,734
Due from other governments	68,589
Leases receivable	349,109
Total assets	\$ 4,365,640
LIABILITIES	
Accounts payable and accrued liabilities	\$ 160,844
Unearned revenues	798,172
Total liabilities	959,016
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to leases	336,365
FUND BALANCE	
Restricted:	
Building department	372,689
Committed:	
Stormwater	107,472
Assigned:	
Subsequent year's budget	609,143
Unassigned	1,980,955
Total fund balances	3,070,259
Total liabilities and fund balance	\$ 4,365,640

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

TOWN OF MALABAR, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

Fund balances - total governmental funds		\$ 3,070,259
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Total governmental capital assets	7,903,459	
Less: accumulated depreciation	<u>(3,825,925)</u>	4,077,534
On the governmental fund statements, a net pension liability is not recorded until an amount is due and payable and the pension plan's fiduciary net position is not sufficient for payment of those benefits (no such liability exists at the end of the current fiscal year). On the Statement of Net Position, the Town's net pension liability of the defined benefit pension plans is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to pensions are also reported.		
Net pension liability	(1,624,126)	
Deferred outflows related to pensions	444,334	
Deferred inflows related to pensions	<u>(65,503)</u>	(1,245,295)
Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities and other long-term liabilities consist of the following:		
Bonds and notes payable	(186,080)	
Leases payable	(186,203)	
Accrued interest payable	(5,399)	
Compensated absences	<u>(99,533)</u>	(477,215)
Net position of governmental activities		<u><u>\$ 5,425,283</u></u>

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

TOWN OF MALABAR, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund
Revenues	
Taxes and fees	\$ 2,374,581
Licenses, permits, and assessments	737,039
Intergovernmental	753,176
Charges for services	31,911
Fines and forfeitures	502
Investment income (loss)	53,137
Miscellaneous	8,059
Total revenues	3,958,405
Expenditures	
Current:	
General government	657,636
Public safety	1,045,607
Physical environment	46,921
Transportation	291,299
Culture and recreation	13,396
Capital outlay	675,450
Debt service:	
Principal	245,198
Interest and fiscal charges	17,238
Total expenditures	2,992,745
Excess (deficiency) of revenues over expenditures	965,660
Other financing sources (uses)	
Proceeds from sale of capital assets	1,033
Issuance of debt	15,382
Total other financing sources (uses)	16,415
Net change in fund balance	982,075
Fund balance, beginning of year	2,088,184
Fund balance, end of year	\$ 3,070,259

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

**TOWN OF MALABAR, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Net change in fund balances - total governmental funds	\$	982,075
Differences in amounts reported for governmental activities in the statement of activities are:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
Capital outlay expenditures		675,450
Depreciation expense		(249,824)
Bond and loan proceeds are reported as financing sources in the governmental funds. However, the issuance of debt is reported as long-term debt payable in the statement of net position. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment of debt principal reduces long-term liabilities in the statement of net position. These amounts are as follows:		
Proceeds from issuance of long-term debt		(15,382)
Principal repayment of general long-term debt		241,278
Governmental funds report contributions to defined benefit pension plans as expenditures. However, in the Statement of Activities, the amount contributed to defined benefit pension plans reduces future net pension liability. Also included in pension expense in the Statement of Activities are amounts required to be amortized.		
Change in net pension liability and deferred inflows/outflows related to pensions		(247,507)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. These adjustments are as follows:		
Change in accrued interest on long-term debt		12,652
Change in compensated absences liability		18,136
Change in net position of governmental activities	\$	<u>1,416,878</u>

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

TOWN OF MALABAR, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Taxes	\$ 2,248,021	\$ 2,248,021	\$ 2,374,581	\$ 126,560
Licenses, permits, and assessments	613,901	613,901	737,039	123,138
Intergovernmental	122,159	122,159	753,176	631,017
Charges for services	43,823	43,823	31,911	(11,912)
Fines and forfeitures	500	500	502	2
Investment income (loss)	13,885	13,885	53,137	39,252
Miscellaneous	52,800	52,800	8,059	(44,741)
Total revenues	<u>3,095,089</u>	<u>3,095,089</u>	<u>3,958,405</u>	<u>863,316</u>
Expenditures				
Current:				
General Government:				
Legislative	190,049	190,049	175,746	14,303
Executive	123,605	123,605	126,507	(2,902)
Finance	135,307	135,307	70,831	64,476
Legal	60,000	60,000	82,749	(22,749)
Comprehensive planning	1,500	1,500	1,488	12
Contingency and other	456,425	456,425	264,090	192,335
Public Safety:				
Fire	779,102	779,102	705,554	73,548
Protective services	234,390	234,390	196,564	37,826
Disaster relief	1,462,003	1,462,003	695,436	766,567
Physical environment	285,784	285,784	56,351	229,433
Transportation	3,133,260	3,133,260	333,277	2,799,983
Parks and recreation	96,860	96,860	21,716	75,144
Debt Service:				
Principal	10,340	10,340	245,198	(234,858)
Interest and fiscal charges	-	-	17,238	(17,238)
Total expenditures	<u>6,968,625</u>	<u>6,968,625</u>	<u>2,992,745</u>	<u>3,975,880</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,873,536)</u>	<u>(3,873,536)</u>	<u>965,660</u>	<u>4,839,196</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	2,500	2,500	1,033	(1,467)
Issuance of debt	2,107,000	2,107,000	15,382	(2,091,618)
Total other financing sources (uses)	<u>2,109,500</u>	<u>2,109,500</u>	<u>16,415</u>	<u>(2,093,085)</u>
Net change in fund balance	<u>(1,764,036)</u>	<u>(1,764,036)</u>	<u>982,075</u>	<u>2,746,111</u>
Fund balance, beginning of year	2,088,184	2,088,184	2,088,184	-
Fund balance, end of year	<u>\$ 324,148</u>	<u>\$ 324,148</u>	<u>\$ 3,070,259</u>	<u>\$ 2,746,111</u>

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

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

The financial statements of the Town of Malabar, Florida (the Town), have been prepared in accordance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for promulgating governmental accounting and financial reporting principles. The following is a summary of the Town's significant accounting policies:

(a) **Reporting entity**—The Town of Malabar, Florida (the Town) was incorporated on December 19, 1962, under general law by referendum of voters on December 1, 1962, following Chapter 29576 of the laws of Florida. The Town operates under a strong council form of government and provides the following services as authorized by its charter: public safety, roads and streets, sanitation, health and social services, culture, recreation, stormwater, improvements, planning and zoning, and general administrative services.

The accompanying financial statements present the financial position and results of operations of the applicable funds governed by the Town, the reporting entity of government for which the Town Council is considered to be financially accountable. In evaluating the Town as a reporting entity, management has addressed all potential component units that may or may not fall within the Town's oversight and control, and thus, be included in the Town's financial statements. No such entities or component units have been identified.

(b) **Government-wide and fund financial statements**—The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide statement of net position, the governmental activities are presented on a consolidated basis and are reflected, on a full accrual, economic resource basis, which incorporates long term assets and receivables as well as long term debt and obligations. The Town has no business-type activities.

The government-wide statement of activities reflects both the gross and net costs per functional category (public safety, physical environment, etc.), which are otherwise being supported by general government revenues (property, sales taxes, certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses (including depreciation) by the related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net cost (by function) is normally covered by general revenue (property, sales taxes, intergovernmental revenues, interest income, etc.). This government-wide focus is more on the sustainability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements emphasize the major funds of the Town.

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

The governmental funds financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to demonstrate legal compliance and demonstrate how the Town's actual experience conforms to the budgeted fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statement, a reconciliation is presented on the page following the Governmental Funds – Balance Sheet and the Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances, which briefly explains the adjustments necessary to transform the fund-based financial statements into the government-wide presentation.

(c) **Measurement focus and basis of accounting**—The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and pensions, are recorded only when payment is due.

Taxes, intergovernmental revenue, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

(d) **Financial statement presentation**—The financial transactions of the Town are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The GASB Codification sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of all funds combined) for the determination of major funds.

The Town reports the following major governmental fund:

The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government as well as the proceeds received in non-ad valorem collection for stormwater maintenance.

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

(e) **Budgets and budgetary accounting**—Annual budgets for all governmental funds were adopted in compliance with Florida law. The basis on which the budgets are prepared is consistent with the basis of accounting utilized by the various fund types. The governmental funds' budgets are prepared on the modified accrual basis of accounting. The Town uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

- i. Prior to August 1st, the Town Manager submits a preliminary budget to the Town Council for the ensuing fiscal year.
- ii. Public hearings are held to obtain taxpayer comments.
- iii. Budget workshop sessions are scheduled by the Town Council, as needed.
- iv. A general summary of the budget and notice of public hearing is published in a local newspaper.
- v. Prior to October 1st, the budget is legally enacted through passage of an ordinance.
- vi. The Town Council, by ordinance, may make supplemental appropriations in excess of those estimated for the year up to the amount of available revenue. Prior to the end of the fiscal year, supplemental appropriations are made for unanticipated spending requirements by the Council.
- vii. The Town Manager may make transfers within a department as long as the total budget for the department is not increased. Transfers of appropriations between departments require the approval of the Council. The Town's Ordinance establishes the level at which expenditures may not exceed appropriations at the fund level.
- viii. Every appropriation lapses at the close of the fiscal year.

The budgets for governmental funds that were either adopted or amended during the year by the Town Council were prepared using the modified accrual basis of accounting in accordance with generally accepted accounting principles. Each of the Town's governmental funds have legally adopted budgets.

(f) **Deposits and investments**—The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are recorded at fair value in accordance with the GASB Codification. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

(g) **Receivables**—Management has determined that no allowance for doubtful accounts is required for the general fund receivables or amounts due from other governments.

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

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

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

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

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

Capital assets are defined by the Town as assets with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost, if purchased or constructed. Contributed assets, including donations and easements or other intangible rights of use, are recorded at acquisition value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are only capitalized if they meet the dollar threshold above for capitalization. Maintenance and repairs of capital assets are charged to operating expenses.

Depreciation is reported for the primary government using the straight-line method calculated on a service-life basis to amortize the cost of the asset over their estimated economic useful lives, which are as follows:

Assets	Years
Buildings and improvements	5 – 39 years
Machinery and equipment	5 – 15 years
Infrastructure	7 – 20 years

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

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the two items in this category are deferred inflows of resources related to pensions, as discussed further in Note (7), and deferred amounts related to leases, as discussed further in Note (4).

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

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

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

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

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

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

Unassigned – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

For spendable resources, is the Town’s policy to use its resources in the following order as needed to fund expenses: restricted, committed, assigned, unrestricted.

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

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

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

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

(o) **Use of estimates**—Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates assumed in preparing the financial statements.

(2) **Reconciliation of Government-Wide and Fund Financial Statement:**

(a) **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**—Following the governmental fund balance sheet is a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. A detailed explanation of these differences is provided in this reconciliation.

(b) **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**—Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in this reconciliation.

(3) **Deposits and Investments:**

(a) **Deposits**—All of the Town’s deposits are held in qualified public depositories pursuant to Chapter 280, Florida Statutes and, accordingly, are entirely insured by Federal Depository Insurance or collateralized pursuant to the *Florida Security for Public Deposits Act*.

(b) **Investments**—The general investments are governed by the Town’s Investment Policy and by Florida Statutes. The Town’s investment policy authorizes investments in the Florida Local Government Surplus Funds Trust Fund, Securities and Exchange Commission registered money market funds, interest-bearing time deposits or savings accounts in qualified public depositories, direct obligations of the U.S. Treasury, federal agencies and instrumentalities, securities in registered management-type investment companies or investment trusts, and other investments authorized by law or ordinance for a county, municipality, school district, or special district.

The Town invests temporarily idle resources in mutual funds and the Local Government Investment Pool (State Pool). The State Pool is administered by the Florida State Board of Administration (SBA), who provides regulatory oversight.

Florida Prime Investment Pool (Florida PRIME) is similar to money market funds in which units are owned in the fund rather than the underlying investments. These investments are reported at amortized cost and meet the requirements of GASB Statement No. 31, as amended by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, which establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. There is no limitation or restrictions on withdrawals from Florida PRIME; although in the occurrence of an event that has a material impact on liquidity or operations of the trust fund, the funds’ executive director may limit contributions to or withdrawals from the trust fund for a period of 48 hours.

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

The Town is exposed to the following risks associated with its non-pension investment portfolio:

Credit risk—The risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investment in state or local government debt must be rated at least AA by Moody’s or Standard & Poor’s.

Interest rate risk—The risk that changes in interest rates will adversely affect the fair value of an investment. Per the Town’s investment policy, interest rate risk will be minimized by structuring investments so that maturities meet the cash requirements and by investing operating funds in shorter-term investments.

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

The Town’s investments consisted of the following at September 30, 2023:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>	<u>Credit Risk</u>	<u>Fair Value Level</u>
Florida PRIME Mortgage Backed Securities - Fixed Income	\$ 47,005 1,162,009	35 days 2.5 years	AAAm (S&P) NR	n/a Level 2
Total	<u>\$ 1,209,014</u>			

(4) **Accounts Receivable:**

Accounts Receivable and Due from Other Governments

At September 30, 2023, the Town’s accounts receivables consist of \$146,734, all of which was included in the general fund and governmental activities. In addition to accounts receivable, the Town also recorded \$68,589 in due from other governments at September 30, 2023. There was no allowance for doubtful accounts at September 30, 2023.

Leases Receivable

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

A summary of the Town’s activity surrounding leases receivable as of and for the year ending September 30, 2023, is as follows:

	<u>General Fund</u>
Lease Revenue	\$ 23,941
Interest Revenue	10,885
Leases Receivable	349,109
Deferred Inflows	336,365

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(5) **Capital Assets:**

Capital asset activity for the fiscal year ended September 30, 2023, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated –				
Land	\$ 1,877,726	\$ 25,000	\$ -	\$ 1,902,726
Construction in progress	204,589	9,430	-	214,019
Total capital assets, not being depreciated	<u>2,082,315</u>	<u>34,430</u>	<u>-</u>	<u>2,116,745</u>
Capital assets, being depreciated –				
Buildings and improvements	1,083,981	87,815	-	1,171,796
Equipment	2,981,882	144,413	-	3,126,295
Infrastructure	1,079,831	408,792	-	1,488,623
Total capital assets, being depreciated	<u>5,145,694</u>	<u>641,020</u>	<u>-</u>	<u>5,786,714</u>
Less: accumulated depreciation	<u>(3,576,101)</u>	<u>(249,824)</u>	<u>-</u>	<u>(3,825,925)</u>
Total capital assets, being depreciated, net	<u>1,569,593</u>	<u>391,196</u>	<u>-</u>	<u>1,960,789</u>
Governmental activities capital assets, net	<u>\$ 3,651,908</u>	<u>\$ 425,626</u>	<u>\$ -</u>	<u>\$ 4,077,534</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 109,094
Public safety	12,929
Cultural and recreational	10,644
Physical environment	48,022
Transportation	69,135
Total depreciation expense - governmental activities	<u>\$ 249,824</u>

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(6) Long-Term Debt:

For the fiscal year ended September 30, 2023, a summary of the long-term liability transactions for the Town is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Financed acquisitions	\$ 427,481	\$ -	\$ (241,278)	\$ 186,203	\$ 44,729
Clean Water State Revolving Fund	174,618	15,382	(3,920)	186,080	9,260
Compensated absences	117,669	69,631	(87,767)	99,533	49,766
Governmental activities – Total long-term liabilities	<u>\$ 719,768</u>	<u>\$ 85,013</u>	<u>\$ (332,965)</u>	<u>\$ 471,816</u>	<u>\$ 103,755</u>

The Town added a new state revolving fund (SRF) loan during fiscal year 2021 with a year-end balance payable of \$186,080 as of September 30, 2023 based on current year expenditures for drawdowns. A repayment schedule was finalized and payments are due in August and September beginning August 15, 2023.

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 9,260	\$ 1,137	\$ 10,397
2025	9,318	1,079	10,397
2026	9,375	1,022	10,397
2027	9,434	963	10,397
2028	9,492	905	10,397
2029-2033	48,353	3,633	51,986
2034-2038	49,872	2,113	51,985
2039-2040	40,976	578	41,554
Total	<u>\$ 186,080</u>	<u>\$ 11,430</u>	<u>\$ 197,510</u>

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 44,729	\$ 4,967	\$ 49,696
2025	45,922	3,774	49,696
2026	47,147	2,549	49,696
2027	48,405	1,291	49,696
Total	<u>\$ 186,203</u>	<u>\$ 12,581</u>	<u>\$ 198,784</u>

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(7) Florida Retirement System:

Plan Description and Administration

The Town participates in the Florida Retirement System (FRS), a multiple-employer, cost-sharing defined benefit public employee retirement system which covers all of the Town's full-time employees. The System is administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

In addition, all regular employees of the Town are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended September 30, 2023, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$7.50. The minimum payment is \$45 and the maximum payment is \$225 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

Benefits Provided and Employees Covered

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

Employees may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

Financial Statements

Financial statements and other supplementary information of the FRS are included in the State’s Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850) 413-5511; or at the Department’s Web site (www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from:

Florida Department of Management Services
 Division of Retirement, Research and Education Services
 P.O. Box 9000
 Tallahassee, FL 32315-9000
 850-488-5706 or toll free at 877-377-1737

Contributions

The Town participates in certain classes of FRS membership. Each class had descriptions and contribution rates in effect during the year ended September 30, 2023, as follows (contribution rates are in agreement with the actuarially determined rates):

FRS Membership Plan & Class	Through June 30, 2023	After June 30, 2023
Regular Class	11.91%	13.57%
Senior Management	31.57%	34.52%
Special Risk	27.83%	32.67%

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll through June 30, 2023, and 2.00% thereafter, which is included in the above rates.

For the plan year ended June 30, 2023, actual contributions made for Town employees participating in FRS and HIS were as follows:

Town Contributions – FRS	\$ 156,729
Town Contributions – HIS	13,500
Employee Contributions – FRS	24,398

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

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

At September 30, 2023, the entity reported a net pension liability related to FRS and HIS as follows:

<u>Plan</u>	<u>Net Pension Liability</u>
FRS	\$ 1,298,199
HIS	325,927
Total	<u>\$ 1,624,126</u>

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer proportion of the net pension liability was based on a projection of the organization's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2023 and 2022, the organization's proportionate share of the FRS and HIS net pension liabilities were as follows:

<u>Plan</u>	<u>2023</u>	<u>2022</u>
FRS	0.003257972%	0.003008131%
HIS	0.002052266%	0.002091966%

For the plan year ended June 30, 2023, pension expense was recognized related to the FRS and HIS plans as follows:

FRS	\$ 296,625
HIS	128,948
Total	<u>\$ 425,573</u>

Deferred outflows/inflows related to pensions:

At September 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>FRS</u>		<u>HIS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 121,890	\$ -	\$ 4,771	\$ (765)
Changes of assumptions	84,627	-	8,569	(28,243)
Net difference between projected and actual investment earnings	54,216	-	168	-
Change in proportionate share	93,940	(31,277)	26,083	(5,218)
Contributions subsequent to measurement date	45,849	-	4,221	-
Total	<u>\$ 400,522</u>	<u>\$ (31,277)</u>	<u>\$ 43,812</u>	<u>\$ (34,226)</u>

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

The above amounts for deferred outflows of resources for contributions related to pensions resulting from Town contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

	FRS	HIS	Total
2024	\$ 59,643	\$ 3,644	\$ 63,287
2025	3,239	4,082	7,321
2026	218,278	2,488	220,766
2027	32,421	(2,238)	30,183
2028	9,815	(2,177)	7,638
Thereafter	-	(434)	(434)
	\$ 323,396	\$ 5,365	\$ 328,761

Actuarial assumptions:

The actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2023 for the period July 1, 2013, through June 30, 2018. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.40%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 6.70%. This rate is consistent with the prior year rate of 6.70%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.65% was used to determine the total pension for the program. This rate increased from the prior year rate, which was 3.54%. Mortality assumptions for both plans were based on the PUB-2010 base table varies by member category and sex, projected generationally with Scale MP-2018 details.

Long-term expected rate of return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2023, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Cash	1.0%	2.9%
Fixed income	19.8%	4.5%
Global equities	54.0%	8.7%
Real estate	10.3%	7.6%
Private equity	11.1%	11.9%
Strategic investments	3.8%	6.3%
Total	<u>100.0%</u>	

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the proportionate shares of the FRS and HIS net pension liability of the Town calculated using the current discount rates, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
FRS	6.70%	\$ 2,217,588	\$ 1,298,199	\$ 529,020
HIS	3.65%	371,832	325,927	287,875

(8) **Risk Management:**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in coverage from the prior year.

The Town is engaged in routine litigation incidental to the conduct of its municipal affairs. In the opinion of the Town's legal counsel, no legal proceedings are pending which would have a material adverse effect on the financial position or results of operations of the Town.

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

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

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

TOWN OF MALABAR, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(10) **Commitments and Contingencies:**

The Town is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2023. The outcomes of established claims are included in these financial statements. In the opinion of the Town's legal counsel, no legal proceedings are pending or threatened against the Town which are not covered by applicable insurance which would inhibit its ability to perform its operations or materially affect its financial condition.

(11) **Subsequent Events:**

The Town completed the purchase of a new tanker pumper on 12/15/23. The balance is due in May 2025 for \$500,000. The Town also completed a loan agreement with Webster Bank for \$3,500,000 with bi-annual payments required for a road repaving project.

(12) **Recent Accounting Pronouncements:**

The Governmental Accounting Standards Board ("GASB") has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for subsequent fiscal years that have not yet been implemented.

Management has not currently determined what, if any, impact implementation of the following will have on the Town's financial statements:

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

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