

RESOLUTION 68-2010

A RESOLUTION OF THE TOWN OF MALABAR, BREVARD COUNTY, FLORIDA, PERTAINING TO A BUDGET ADJUSTMENT IN THE FISCAL YEAR 2010-2011; PROVIDING FOR REPEAL OF RESOLUTIONS OR PARTS OF RESOLUTIONS IN CONFLICT HEREWITH; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, it is necessary from time to time to amend the budget to record adjustments approved by Council to accurately reflect the departmental expenditures.

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

SECTION 1. Amend the Budget Amounts in Legislative and Street and Roads.
Transfer from and to the Accounts indicated on the attached Budget Transfer Authorizations to accurately record the revisions to the Legislative and Street and Roads Departments.

SECTION 2. Conflict.
All resolutions or parts of resolutions in conflict herewith are hereby repealed.

SECTION 3. Effective Date.
This Resolution shall take effect immediately upon passage.
This Resolution was moved for adoption by Council Member Borton. The motion was seconded by Council Member Vail and, upon being put to a vote, the vote was as follows:

Council Member Nancy Borton	AYE
Council Member Brian Vail	AYE
Council Member Steven (Steve) Rivet	AYE
Council Member Jeffrey (Jeff) McKnight	AYE
Council Member Marisa Acquaviva	AYE

This Resolution was then declared to be duly passed and adopted this 1st day of November, 2010.

TOWN OF MALABAR

By:


Mayor Thomas M. Eschenberg
Council Chair

ATTEST:


Debby K. Franklin
Town Clerk/Treasurer

(seal)

Approved as to Form and Content:


Karl W. Bohne, Jr., Town Attorney

**TOWN OF MALABAR
BUDGET TRANSFER AUTHORIZATION
Fiscal Year 2010/201010**

Department: 511 Legislative							
Account No.	Description	Approved Budget	Balance thru 10/31/10	Transfer Dec	Transfer Inc.	Amount Left to Spend	New Budget Total
511.4900	Mayor's Discretionary Projects	500.00	500.00	50.00		450.00	450.00
511.4910	District 1 - Discretionary Projects	500.00	500.00	50.00		450.00	450.00
511.4920	District 2 - Discretionary Projects	500.00	500.00	50.00		450.00	450.00
511.4930	District 3 - Discretionary Projects	500.00	500.00	50.00		450.00	450.00
511.4940	District 4 - Discretionary Projects	500.00	500.00	500.00		0.00	-
511.4950	District 5 - Discretionary Projects	500.00	500.00	50.00		450.00	450.00
511.4800	Public Relations/Events/Ads	800.00	800.00		300.00	1,100.00	1,100.00
541.4600	Repair & Maintenance	19,958.00	19,875.54		450.00	20,325.54	20,408.00
	CheckSum	23,758.00		750.00	750.00		23,758.00

DEPARTMENT EXPLANATION: (Give reason for transfer from each account.)

Transfer from (511.4900,4910,4920,4930,4940.4950) Mayor & Council Discretionary Funds to (511.4800) Public Relations/Events/Ads (\$300) and 541.4600 Repair & Maintenance to cover unplanned reception for Board members expenses and repair and maintenance expenses to end of FY 2010/2011.

Town Clerk/Treasurer: *D. A. ...* Date: 10/28/2010 Approved by Town Administrator: *B. Wilkerson* Date: 10/28/2010
 Approved by Council at RTCM / 11/01/2010 RESO. No. 68-2010

RESOLUTION NO. 72-2011

A RESOLUTION OF THE TOWN OF MALABAR, BREVARD COUNTY, FLORIDA, PROVIDING FOR COUNCIL APPOINTMENT OF CHARLES "BUD" RYAN AND WAYNE ABARE TO SERVE ON THE PLANNING AND ZONING ADVISORY BOARD; PROVIDING AN EFFECTIVE DATE.

WHEREAS, Malabar Town Council has been notified of openings on the Planning and Zoning Advisory Board; and

WHEREAS, Malabar Town Council desires to fill the vacancies; and

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 selects and approves Mr. Charles "Bud" Ryan and Mr. Wayne Abare as the new members on the Planning and Zoning Advisory Board.

Section 2. The Town Council of Malabar, Brevard County, Florida, hereby authorizes and directs the Town Clerk to notify the appointees, the Board Chair and the Board Secretary of these appointments.

Section 3. This resolution shall take effect immediately upon its adoption

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

Council Member Carl Beatty	AYE
Council Member David White	AYE
Council Member Steve Rivet	AYE
Council Member Jeffrey (Jeff) McKnight	AYE
Council Member Marisa Acquaviva	NAY

This Resolution was then declared to be duly passed and adopted this 3rd day of January, 2011.

Town of Malabar

By:


Mayor Thomas M. Eschenberg
Council Chair

ATTEST:


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

(seal)

Approved as to form and content


Karl W. Bohne, Jr.
Town Attorney

RESOLUTION 73-2011

A RESOLUTION OF THE TOWN OF MALABAR, BREVARD COUNTY, FLORIDA ADOPTING THE TERMS AND CONDITIONS OF THE MEDIATION AGREEMENT DATED NOVEMBER 22, 2010; PROVIDING FOR REPEAL; AND PROVIDING FOR AN EFFECTIVE.

WHEREAS, on May 5, 1993, the Town of Malabar (Town) and the Palm Bay Utility Corporation, a not-for-profit corporation (PBUC) entered into a Wholesale Water and Wastewater Service Agreement (Agreement), which Agreement was joined in by the City of Palm Bay (City); and

WHEREAS, Section 13 of the Agreement provides, in part:

“PBUC agrees to provide water and wastewater service to the Town at PBUC’s *current retail rate*...”

WHEREAS, the City has increased the rates charged to the citizens of the Town which rate is higher than PBUC’s *current retail rate*; and

WHEREAS, the Town has taken the position that the City can not charge a rate for water and wastewater service to the Town which higher than the *current retail rate*; and

WHEREAS, section 164.1041, Florida Statutes requires a governmental entity that either intends to file suit or files suit against another governmental entity to initiate conflict resolution proceedings.

WHEREAS, the Town and the City participated in such conflict resolution proceedings and on November 22, 2010 the parties participated in mediation which resulted in the execution of the MEDIATION AGREEMENT attached hereto as Exhibit A; and

WHEREAS, the respective Councils for the parties must approve the said MEDIATION AGREEMENT at an open public hearing.

NOW THEREFORE, be it resolved by the Town Council of the Town of Malabar, Brevard County, Florida that:

Section 1. The Town Council for the Town of Malabar hereby approves the MEDIATION AGREEMENT dated November 22, 2010.

Section 2. All resolutions or parts of resolutions in conflict herewith are hereby repealed.

Section 3.

This resolution shall take effect immediately upon its adoption

This Resolution was moved for adoption by Council Member Rivet and was seconded by Council Member McKnight and, upon being put to a vote, the vote was as follow:

Council Member, Carl Beatty	NAY
Council Member, David White	NAY
Council Member, Steven (Steve) Rivet	NAY
Council Member, Jeffrey (Jeff) McKnight	NAY
Council Member, Marisa Acquaviva	NAY

This Resolution was then declared FAILED this 3rd day of January, 2011.

Mayor, Tom Eschenberg

ATTEST:

Debby K. Franklin
Town Clerk/Treasurer

(Seal)

Approved as to form and content:

Karl W. Bohne, Jr., Town Attorney

FAILED 1/3/11

RESOLUTION NO. 79-2011

A RESOLUTION OF THE TOWN OF MALABAR, BREVARD COUNTY, FLORIDA, PROVIDING ACCEPTANCE OF THE ANNUAL AUDIT REPORT PROVIDED FOR FISCAL YEAR 2009/2010 BY THE AUDIT FIRM OF AVERETT WARMUS DURKEE OSBURN HENNING; PROVIDING FOR SUBMITTAL TO STATE AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, In July, 2010 the Town approved a three-year extension to the audit contract with Warmus Durkee Osburn Henning; and

WHEREAS, an audit was conducted from October 2010 to January 2011, 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, 2010.

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 2009/2010 attached to this resolution and identified as Exhibit "A".

Section 2. The audit report shall be submitted to the State within 30 days.

Section 4. That a certified copy of this Resolution shall be delivered with the audit report to the State.

Section 5. This Resolution shall take effect immediately upon its adoption.

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

Council Member Carl Beatty	Aye
Council Member David White	Aye
Council Member Steven (Steve) Rivet	Aye
Council Member Jeffrey (Jeff) McKnight	Aye
Council Member Marisa Acquaviva	Aye

This Resolution was then declared to be duly passed and adopted this 4th day of April 2011.

TOWN OF MALABAR

By:



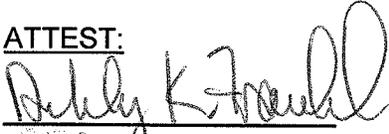
Mayor Thomas M. Eschenberg

Approved as to Form and Content:

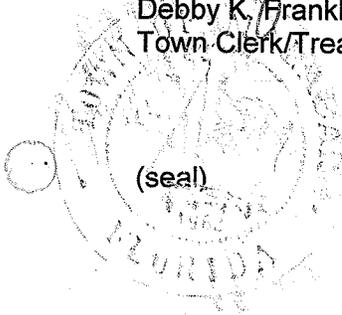
Karl Bohne

Karl Bohne, Jr., Town Attorney

ATTEST:



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



(seal)

TOWN OF MALABAR, FLORIDA
FINANCIAL SECTION, REQUIRED
SUPPLEMENTARY INFORMATION, AND
SUPPLEMENTARY FINANCIAL REPORTS
COMPLIANCE SECTION
Year Ended September 30, 2010

TOWN OF MALABAR, FLORIDA

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AVERETT
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Independent Auditors' Report

Honorable Mayor and Town Council
Town of Malabar, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Malabar, Florida (the "Town"), as of and for the year ended September 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Malabar, Florida, as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2011 on our consideration of Town of Malabar, Florida's internal control over financial reporting and 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 and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2 through 7 and 29 through 30, respectively, 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.

Averett Warmus Durkee Osburn Henning

March 24, 2011

TOWN OF MALABAR, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended September 30, 2010

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, 2010. 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 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 34.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$4,410,075 (*net assets*). Of this amount, \$689,849 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to residents and creditors.
- During the fiscal year, the Town's total net assets decreased by \$131,039 or by approximately 2.9%. This decrease is attributable to a decrease in revenue of approximately \$176,000 (mainly intergovernmental and other revenue) along with a decrease of approximately \$98,000 in expenses mainly general government.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund equity of \$1,028,321, an increase of \$26,208 in comparison with the prior year. Of this amount \$794,234, is *available for spending* at the government's discretion (*unreserved fund balance*).

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 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 of Malabar, Florida's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 business-type activities of the Town include the water fund.

The government-wide financial statements can be found on pages 9 and 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. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

TOWN OF MALABAR, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Overview of the Financial Statements – Continued

Fund financial statements – continued.

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. Budgetary comparison statements have been provided for these funds to demonstrate compliance with each budget.

The basic governmental funds financial statements can be found on pages 11 and 12 of this report.

Proprietary fund. The Town maintains one enterprise fund. The *enterprise fund* is used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses an enterprise fund to account for its water fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water fund, which is considered to be a major fund of the Town.

The basic proprietary fund financial statements can be found on pages 13 through 15 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 16 through 27 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 29 and 30 of this report.

TOWN OF MALABAR, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Government-Wide Financial Analysis

The table below summarizes the statements of net assets:

Town of Malabar, Florida's Net Assets

	Governmental Activities		Business-Type Activities		Total		Amount Change	% Change
	September 30,		September 30,		September 30,			
	2010	2009	2010	2009	2010	2009		
Current	\$ 1,210,581	\$ 1,076,723	\$ 2,926	\$ 9,927	\$ 1,213,507	\$ 1,086,650	\$ 126,857	11.7%
Capital assets, net	<u>3,439,492</u>	<u>3,650,646</u>	<u>256,303</u>	<u>300,552</u>	<u>3,695,795</u>	<u>3,951,198</u>	<u>(255,403)</u>	<u>(6.5)</u>
Total assets	<u>4,650,073</u>	<u>4,727,369</u>	<u>259,229</u>	<u>310,479</u>	<u>4,909,302</u>	<u>5,037,848</u>	<u>(128,546)</u>	<u>(2.6)</u>
Long-term liabilities outstanding	289,942	396,709	-	-	289,942	396,709	(106,767)	(26.9)
Other liabilities	<u>182,260</u>	<u>74,610</u>	<u>27,025</u>	<u>25,415</u>	<u>209,285</u>	<u>100,025</u>	<u>109,260</u>	<u>109.2</u>
Total liabilities	<u>472,202</u>	<u>471,319</u>	<u>27,025</u>	<u>25,415</u>	<u>499,227</u>	<u>496,734</u>	<u>2,493</u>	<u>0.5</u>
Net assets:								
Invested in capital assets, net of related debt	3,229,836	3,358,366	256,303	300,552	3,486,139	3,658,918	(172,779)	(4.7)
Restricted	<u>234,087</u>	<u>344,124</u>	-	-	<u>234,087</u>	<u>344,124</u>	<u>(110,037)</u>	<u>(32.0)</u>
Unrestricted	<u>713,948</u>	<u>553,560</u>	<u>(24,099)</u>	<u>(15,488)</u>	<u>689,849</u>	<u>538,072</u>	<u>151,777</u>	<u>28.2</u>
Total net assets	<u>\$ 4,177,871</u>	<u>\$ 4,256,050</u>	<u>\$ 232,204</u>	<u>\$ 285,064</u>	<u>\$ 4,410,075</u>	<u>\$ 4,541,114</u>	<u>\$ (131,039)</u>	<u>(2.9)%</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Malabar, Florida, assets exceeded liabilities by \$4,410,075 at the close of the most recent fiscal year, a decrease of \$131,039 from the prior fiscal year.

The largest portion of the Town of Malabar, Florida's net assets (\$3,486,139 or 79%) 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. Although the Town's investment in its 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.

An additional portion of the Town's net assets, \$234,087, represents resources that are subject to external restrictions as to how they may be used. The remaining balance of *unrestricted net assets*, \$689,849, 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 assets 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

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 Assets

	Governmental Activities		Business-Type Activities		Total		Amount Change	% Change
	Year Ended September 30, 2010	2009	Year Ended September 30, 2010	2009	Year Ended September 30, 2010	2009		
Revenues:								
Program revenues:								
Charges for services	\$ 91,731	\$ 72,235	\$ 164,001	\$ 168,138	\$ 255,732	\$ 240,373	\$ 15,359	6.4 %
General revenues:								
Ad valorem taxes	399,415	388,500	-	-	399,415	388,500	10,915	2.8
Franchise fees	218,398	252,288	-	-	218,398	252,288	(33,890)	(13.4)
Utility taxes	235,346	213,320	-	-	235,346	213,320	22,026	10.3
Intergovernmental	446,427	610,788	-	-	446,427	610,788	(164,361)	(26.9)
Interest	4,405	16,067	58	384	4,463	16,451	(11,988)	(72.9)
Other	48,156	62,370	-	-	48,156	62,370	(14,214)	(22.8)
Total revenues	<u>1,443,878</u>	<u>1,615,568</u>	<u>164,059</u>	<u>168,522</u>	<u>1,607,937</u>	<u>1,784,090</u>	<u>(176,153)</u>	<u>(9.9)</u>
Expenses:								
General government	503,162	578,273	-	-	503,162	578,273	(75,111)	(13.0)
Public safety – Fire	257,342	297,673	-	-	257,342	297,673	(40,331)	(13.5)
Physical environment	690,637	676,636	-	-	690,637	676,636	14,001	2.1
Culture and recreation	57,545	50,076	-	-	57,545	50,076	7,469	14.9
Interest	13,371	10,570	-	-	13,371	10,570	2,801	26.5
Water	-	-	216,919	224,082	216,919	224,082	(7,163)	(3.2)
Total expenses	<u>1,522,057</u>	<u>1,613,228</u>	<u>216,919</u>	<u>224,082</u>	<u>1,738,976</u>	<u>1,837,310</u>	<u>(98,334)</u>	<u>(5.4)</u>
Increase (Decrease) in Net Assets	(78,179)	2,340	(52,860)	(55,560)	(131,039)	(53,220)	(77,819)	146.2
Net Assets, beginning of year	4,256,050	4,253,710	285,064	340,624	4,541,114	4,594,334	(53,220)	(1.2)
Net Assets, end of year	<u>\$ 4,177,871</u>	<u>\$ 4,256,050</u>	<u>\$ 232,204</u>	<u>\$ 285,064</u>	<u>\$ 4,410,075</u>	<u>\$ 4,541,114</u>	<u>\$ (131,039)</u>	<u>(2.9)%</u>

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

- Ad valorem taxes increased in the general fund by \$10,915 or 2.8%. The Town's millage rate was 1.6 for 2010 versus 1.4676 for 2009.
- Franchise fees decreased by \$33,890 or 13.4%. The electric franchise fee decreased by \$30,655. Management believes this is related to the revision.
- Intergovernmental revenue decreased by \$164,361 or (26.9%). There was no traffic impact fees collected during the year compared to \$103,339 collected in 2009. Commercial service tax revenues decreased by \$30,506. In addition, there were no proceeds from grants in 2010 compared to \$27,432 received in the prior year.
- Other revenues decreased by \$32,896 or 44%. Contributions decreased by \$37,865 which is primarily related to donation from Harris Corporation in 2009 for payment of lease payment on ladder truck.
- General government expenses decreased by \$75,111 or (13%), due mainly to reduction in salaries and professional fees.
- Fire safety expenses decreased by \$40,331 (13.5%), due mainly to the reduction expenses.

Business-type activities. Business-type activities decreased the Town of Malabar, Florida's net assets by \$52,860. The decrease is mainly due to a reduction of impact fees associated with new construction. The Town raised its water rates effective October 1, 2010, and reduced expenses in an effort for the water department to continue to be self-sustaining.

TOWN OF MALABAR, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Financial Analysis of the Government's Funds

As noted earlier, the Town of Malabar, Florida uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town of Malabar, Florida'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 of Malabar, Florida's financing requirements. In particular, *unreserved 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 \$1,028,321, an increase of \$26,208 in comparison with the prior year. This increase is due mainly to the reduction in expenditures.

The general fund is the chief operating fund of the Town of Malabar, Florida. At the end of the current fiscal year, unreserved fund balance of the general fund was \$796,448. As a measure of the general fund's liquidity, it may be useful to compare the unreserved fund balance to total fund expenditures. Unreserved fund balance represents approximately 59% of total general fund expenditures.

Proprietary fund. The Town of Malabar, Florida's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

The total decrease in net assets for the enterprise fund statement was \$52,860.

General Fund Budgetary Highlights

The following information is presented to assist the reader in comparing actual results with budgetary amounts.

General fund revenues were \$173,462 less than budgeted amounts and expenditures were \$191,285 less than the budgeted amounts. Stormwater fund revenues were \$558 less than budgeted amounts and stormwater expenditures were \$108,914 less than budget.

Additional information on budgetary comparisons between the final budget and actual results can be found on pages 29 and 30 of this report.

Capital Assets and Debt Administration

Capital assets. The Town of Malabar, Florida's investment in capital assets for its governmental and business-type activities as of September 30, 2010, amounts to \$3,695,795 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure, including water utility systems.

The table below summarizes the capital assets of the Town:

Town of Malabar, Florida

Capital Assets

	Governmental Activities		Business-Type Activities		Total		Amount Change	% Change
	September 30, 2010	2009	September 30, 2010	2009	September 30, 2010	2009		
Land	\$ 1,885,750	\$ 1,885,750	\$ -	\$ -	\$ 1,885,750	\$ 1,885,750	\$ -	0.0 %
Buildings and improvements	806,144	804,743	-	-	806,144	804,743	1,401	0.2
Machinery and equipment	2,101,768	2,095,708	7,552	7,552	2,109,320	2,103,260	6,060	0.3
Infrastructure	756,630	726,793	598,517	598,517	1,355,147	1,325,310	29,837	2.3
Construction in progress	1,700	-	-	-	1,700	-	1,700	N/A
Total at cost	5,551,992	5,512,994	606,069	606,069	6,158,061	6,119,063	38,998	0.6
Less accumulated depreciation	(2,112,500)	(1,862,348)	(349,766)	(305,517)	(2,462,265)	(2,167,865)	(294,401)	13.6
	<u>\$ 3,439,492</u>	<u>\$ 3,650,646</u>	<u>\$ 256,303</u>	<u>\$ 300,552</u>	<u>\$ 3,695,795</u>	<u>\$ 3,951,198</u>	<u>\$ (255,403)</u>	<u>(6.5)%</u>

TOWN OF MALABAR, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Capital Assets and Debt Administration – Continued

Capital assets – continued. Additional information on the Town of Malabar, Florida's capital assets can be found in Note 4 on pages 22 and 23 of this report.

Long-term obligations. At year end, the Town had \$289,942 in long-term obligations outstanding versus \$396,709 last year. This is a net decrease of 26.9%. There were no additions to long-term obligations in the current year. Repayments amounted to \$106,767. Additional information on the Town of Malabar, Florida's long-term obligations can be found in Note 9 on pages 25 and 26 of this report.

Requests for Information

This financial report is designed to provide a general overview of the Town of Malabar, Florida'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 ASSETS

September 30, 2010

ASSETS	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 785,329	\$ 108,953	\$ 894,282
Investments	204,206	-	204,206
Receivables	61,501	11,301	72,802
Due from other governments	32,993	-	32,993
Prepaid items	2,214	-	2,214
Restricted cash	-	7,010	7,010
Internal balances	124,338	(124,338)	-
Total current assets	<u>1,210,581</u>	<u>2,926</u>	<u>1,213,507</u>
Capital assets:			
Capital assets, not being depreciated – land	1,885,750	-	1,885,750
Capital assets, being depreciated, net	1,553,742	256,303	1,810,045
Total capital assets	<u>3,439,492</u>	<u>256,303</u>	<u>3,695,795</u>
TOTAL ASSETS	<u>4,650,073</u>	<u>259,229</u>	<u>4,909,302</u>
LIABILITIES			
Liabilities:			
Accounts payable	30,129	20,015	50,144
Accrued expenses	9,748	-	9,748
Deferred revenue	142,090	-	142,090
Customer and developer deposits	293	7,010	7,303
Long-term obligations:			
Due within one year	58,393	-	58,393
Due after one year	231,549	-	231,549
TOTAL LIABILITIES	<u>472,202</u>	<u>27,025</u>	<u>499,227</u>
NET ASSETS			
Investment in capital assets, net of related debt	3,229,836	256,303	3,486,139
Restricted	234,087	-	234,087
Unrestricted	713,948	(24,099)	689,849
TOTAL NET ASSETS	<u>4,177,871</u>	<u>232,204</u>	<u>4,410,075</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,650,073</u>	<u>\$ 259,229</u>	<u>\$ 4,909,302</u>

See accompanying notes.

TOWN OF MALABAR, FLORIDA
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year Ended September 30, 2010

Functions/Programs	Total Expenses	Program Revenues Charges for Services	Net Revenue (Expense) and Changes in Net Assets	
			Governmental Activities	Business-Type Activities
Governmental Activities:				
General government	\$ 503,162	\$ 91,406	\$ (411,756)	\$ -
Public safety	257,342	325	(257,017)	-
Physical environment	690,637	-	(690,637)	-
Culture and recreation	57,545	-	(57,545)	-
Interest on long-term obligations	13,371	-	(13,371)	-
Total governmental activities	<u>1,522,057</u>	<u>91,731</u>	<u>(1,430,326)</u>	<u>-</u>
Business-Type Activities:				
Water utility	216,919	164,001	-	(52,918)
	<u>\$ 1,738,976</u>	<u>\$ 255,732</u>	<u>(1,430,326)</u>	<u>(52,918)</u>
General Revenues:				
Ad valorem taxes			399,415	-
Franchise fees			218,398	-
Utility taxes			235,346	-
Intergovernmental			446,427	-
Investment earnings			10,611	58
Miscellaneous			41,950	-
Total general revenues			<u>1,352,147</u>	<u>58</u>
Change in net assets			(78,179)	(52,860)
Net Assets, Beginning of Year			4,256,050	285,064
Net Assets, End of Year			<u>\$ 4,177,871</u>	<u>\$ 232,204</u>
				<u>\$ 4,410,075</u>

See accompanying notes.

TOWN OF MALABAR, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2010

ASSETS	General Fund	Stormwater Fund	Total Governmental Funds
Cash and cash equivalents	\$ 785,329	\$ -	\$ 785,329
Investments	204,206	-	204,206
Receivables, net	61,501	-	61,501
Due from other funds	124,338	231,873	356,211
Due from other governments	32,993	-	32,993
Prepaid items	2,214	-	2,214
TOTAL ASSETS	\$ 1,210,581	\$ 231,873	\$ 1,442,454
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	\$ 30,129	\$ -	\$ 30,129
Accrued liabilities	9,748	-	9,748
Due to other funds	231,873	-	231,873
Deferred revenue	142,090	-	142,090
Customer and developer deposits	293	-	293
Total liabilities	414,133	-	414,133
Fund Equity:			
Fund balance:			
Reserved	2,214	231,873	234,087
Unreserved:			
Unreserved/undesignated	794,234	-	794,234
Total fund equity	796,448	231,873	1,028,321
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,210,581	\$ 231,873	\$ 1,442,454

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets:

Total fund balance – total governmental funds	\$ 1,028,321
Amounts reported for governmental activities in the statement of net assets are different because:	
• Capital assets of \$5,551,992, net of accumulated depreciation of \$2,112,500, are not financial resources and, therefore, are not reported in the funds.	3,439,492
• Long-term liabilities of \$289,942 are not due and payable in the current period and are not reported in the funds.	(289,942)
Net assets of governmental activities	\$ 4,177,871

See accompanying notes.

TOWN OF MALABAR, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

Year Ended September 30, 2010

	General Fund	Stormwater Fund	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 399,415	\$ -	\$ 399,415
Franchise fees	218,398	-	218,398
Utility taxes	235,346	-	235,346
Licenses, permits and fees	91,406	-	91,406
Intergovernmental revenue	381,617	64,810	446,427
Fines and forfeitures	325	-	325
Miscellaneous	52,561	-	52,561
Total revenues	<u>1,379,068</u>	<u>64,810</u>	<u>1,443,878</u>
Expenditures:			
Current operating:			
General government	471,296	26,617	497,913
Public safety – fire	203,684	-	203,684
Physical environment	534,042	-	534,042
Culture and recreation	47,039	-	47,039
Debt service:			
Principal	82,623	-	82,623
Interest and other charges	13,371	-	13,371
Capital outlay	9,161	29,837	38,998
Total expenditures	<u>1,361,216</u>	<u>56,454</u>	<u>1,417,670</u>
Excess of Revenues Over Expenditures and Other Financing Sources/Uses	17,852	8,356	26,208
Fund Balances, Beginning of Year	<u>778,596</u>	<u>223,517</u>	<u>1,002,113</u>
Fund Balances, End of Year	<u>\$ 796,448</u>	<u>\$ 231,873</u>	<u>\$ 1,028,321</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 balances – total governmental funds			\$ 26,208
Amounts reported for governmental activities in the statement of activities are different because:			
<ul style="list-style-type: none"> Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of \$250,152 exceeded capital outlays of \$38,998 in the current period. 			(211,154)
<ul style="list-style-type: none"> Issuance of long-term obligations (leases) provides current financial resources to governmental funds, while the repayment of principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on government-wide net assets. These amounts consist of: 			
Capital lease principal repayments in the current year	\$ 82,623		
Change in long-term portion of compensated absences	24,144		
		<u>106,767</u>	
Change in net assets of governmental activities			<u>\$ (78,179)</u>

See accompanying notes.

TOWN OF MALABAR, FLORIDA

STATEMENT OF NET ASSETS
 PROPRIETARY FUND

September 30, 2010

ASSETS	<u>Water Fund</u>
Current Assets:	
Cash and cash equivalents	\$ 108,953
Receivables, net	11,301
Restricted cash	<u>7,010</u>
Total current assets	<u>127,264</u>
Capital Assets:	
Infrastructure	598,517
Machinery and equipment	<u>7,552</u>
Total at cost	606,069
Less accumulated depreciation	<u>(349,766)</u>
Capital assets, net	<u>256,303</u>
TOTAL ASSETS	\$ <u><u>383,567</u></u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 20,015
Due to other funds	124,338
Customer and developer deposits	<u>7,010</u>
TOTAL CURRENT LIABILITIES	<u>151,363</u>
NET ASSETS	
Investment in Capital Assets	256,303
Unrestricted	<u>(24,099)</u>
TOTAL NET ASSETS	<u>232,204</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>383,567</u></u>

See accompanying notes.

TOWN OF MALABAR, FLORIDA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 PROPRIETARY FUND

Year Ended September 30, 2010

	<u>Water Fund</u>
Operating Revenues:	
User charges	\$ 153,424
Service and hook-up charges	8,587
Miscellaneous other	1,990
Total operating revenues	<u>164,001</u>
Operating Expenses:	
Water and sewer charges	146,898
Professional services	21,120
Supplies and other expenses	4,052
Utilities	601
Depreciation	44,248
Total operating expenses	<u>216,919</u>
Operating Loss	(52,918)
Non-Operating Revenues:	
Interest income	<u>58</u>
Net Loss	(52,860)
Net Assets, Beginning of Year	<u>285,064</u>
Net Assets, End of Year	<u>\$ 232,204</u>

See accompanying notes.

TOWN OF MALABAR, FLORIDA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND

Year Ended September 30, 2010

Water Fund

Cash Flows From Operating Activities:	
Receipts from customers and users	\$ 162,712
Payments to suppliers	(170,895)
Net cash used in operating activities	<u>(8,183)</u>
Cash Flows From Noncapital Financing Activities:	
Decrease in utility deposits	(165)
Net cash provided by noncapital financing activities	<u>(165)</u>
Cash Flows From Investing Activities:	
Investment earnings	58
Net cash provided by investing activities	<u>58</u>
Net Decrease in Cash and Cash Equivalents	(8,290)
Cash and Cash Equivalents, Beginning of Year	<u>124,253</u>
Cash and Cash Equivalents, End of Year	<u>\$ 115,963</u>
Recorded in the Statement of Net Assets as Follows:	
Cash and cash equivalents	\$ 108,953
Restricted cash	<u>7,010</u>
	<u>\$ 115,963</u>
Reconciliation of Operating Loss to Net Cash	
Used in Operating Activities:	
Operating loss	\$ (52,918)
Adjustments to reconcile operating loss to net cash	
used in operating activities:	
Depreciation and amortization	44,248
Changes in:	
Receivables	(1,289)
Accounts payable and accrued liabilities	<u>1,776</u>
Net Cash Used in Operating Activities	<u>\$ (8,183)</u>

See accompanying notes.

TOWN OF MALABAR, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS

September 30, 2010

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, highways 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, 2010.

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

Governmental Accounting Standards Board 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 assets 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

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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current 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.

The government reports the following major proprietary fund:

The *water fund* accounts for the activities of the Town's Water Department.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

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.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund are charges to customers for sales and services. The Town also recognizes as operating revenue the option of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 Assets 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 are placed in such authorized depositories.

TOWN OF MALABAR, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS – CONTINUED

1. Summary of Significant Accounting Policies – Continued:

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

(1) Deposits – Cash and Cash Equivalents – Continued

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, 2010, the carrying amounts of the Town’s deposits were \$901,292 and the bank balances of the Town’s deposits were \$901,542. 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.

(2) Town of Malabar’s Investment Policies

Investment in State Pool

The Town of Malabar, Florida 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 of Malabar, Florida’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 asset value (including accrued payables) by total participant balances in the pool. At September 30, 2010, this factor was .70705786. Therefore, the Town has reduced its carrying value of its investments in Pool B by \$6,271.

At September 30, 2010, the Town’s investment in the State Pool consisted of:

	General Fund	Water Fund	Total
Florida PRIME	\$ 5,403	\$ 3,858	\$ 9,261
Fund B	<u>15,135</u>	<u>1,256</u>	<u>16,391</u>
Total	<u>\$ 20,538</u>	<u>\$ 5,114</u>	<u>\$ 25,652</u>

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

(a) 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, 2010, the State Pool was not rated by a nationally recognized rating agency.

TOWN OF MALABAR, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS – CONTINUED

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

F. **Assets, Liabilities, and Net Assets or Equity – Continued**

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

(a) **Credit Risk – Continued**

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

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

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

(b) **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.

Management evaluates the collectibility of its user charges receivable in the water fund based on a combination of factors, including analysis of historical trends, aging of receivables, write-off experience, amounts held as deposit, and identification of specific accounts known as collection problems. The results of the evaluation are used to estimate the allowance amount, and management has determined that no allowance for doubtful accounts is necessary at September 30, 2010. An account is charged off when management determines a customer's inability to meet their financial obligations. This will occur after the water is shut off and the deposit is forfeited. Management did not write-off any accounts in fiscal year ended September 30, 2010.

(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 and 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.

TOWN OF MALABAR, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS – CONTINUED

1. Summary of Significant Accounting Policies – Continued:

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

(4) Capital Assets – Continued

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

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

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

Assets	Governmental Activities	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

Deferred revenue recorded in the governmental funds relates to fees received prior to September 30, 2010, that are for fiscal year 2011 local business tax.

(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 Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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.

TOWN OF MALABAR, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS – CONTINUED

1. Summary of Significant Accounting Policies – Continued:

G. Stewardship, Compliance, and Accountability – Continued

Legally Adopted Appropriated Budgets – Continued:

- 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 seven budget adjustments during the fiscal year ended September 30, 2010.

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 government’s department heads 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 department level:

Departments which exceed budgeting control for the year ended September 30, 2010, were as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General fund:			
Physical environment	\$ 505,262	\$ 534,042	\$ (28,780)
Principal	82,607	82,623	(16)
Interest	13,197	13,371	(174)
Stormwater fund:			
General government	11,600	26,617	(15,017)

Legally Authorized Nonappropriated Budgets:

A legally authorized nonappropriated budget is prepared for the enterprise fund. Only the Town Council is authorized to transfer budget amounts between line items of the authorized budget.

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

2. Cash, Cash Equivalents, and Investments:

Cash and cash equivalents at September 30, 2010, consist of the following:

	<u>Governmental Fund Type</u> General Fund	<u>Proprietary Fund Type</u> Enterprise Fund	<u>Total All Funds</u>	<u>Financial Institution Balance</u>
Unrestricted:				
Demand deposits	\$ 764,791	\$ 103,839	\$ 868,630	\$ 862,609
SBA Pool	20,538	5,114	25,652	31,923
	<u>785,329</u>	<u>108,953</u>	<u>894,282</u>	<u>894,532</u>
Restricted:				
Demand deposits	-	7,010 ⁽¹⁾	7,010	7,010
Total Cash and Cash Equivalents	<u>\$ 785,329</u>	<u>\$ 115,963</u>	<u>\$ 901,292</u>	<u>\$ 901,542</u>

¹ Restricted for customer utility deposits.

Investments at September 30, 2010, consist of:

	<u>Maturities</u>	<u>General Fund Cost and Fair Value</u>
Unrestricted:		
Certificate of deposit	October 26, 2010	\$ <u>204,206</u>
Total Investments		<u>\$ 204,206</u>

3. Receivables and Due From Other Governments:

Receivables and due from other governments consists of the following at September 30, 2010:

	<u>General Fund</u>	<u>Water Fund</u>	<u>Total</u>
Receivables:			
Utility taxes	\$ 22,460	\$ -	\$ 22,460
Franchise fees	39,006	-	39,006
Other	35	-	35
User charges	-	11,301	11,301
Total receivables	<u>\$ 61,501</u>	<u>\$ 11,301</u>	<u>\$ 72,802</u>
Due From Other Governments:			
Brevard County, Florida	\$ 1,542	\$ -	\$ 1,542
State of Florida	31,451	-	31,451
Total due from other governments	<u>\$ 32,993</u>	<u>\$ -</u>	<u>\$ 32,993</u>

TOWN OF MALABAR, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS – CONTINUED

4. Capital Assets:

Capital asset activity for the year ended September 30, 2010, was as follows:

	Balance, October 1, 2009	Additions	Balance, September 30, 2010
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	804,743	1,401	806,144
Machinery and equipment	2,095,708	6,060	2,101,768
Infrastructure	726,793	29,837	756,630
Construction in progress	-	1,700	1,700
Total capital assets being depreciated	<u>3,627,244</u>	<u>38,998</u>	<u>3,666,242</u>
Accumulated depreciation	<u>(1,862,348)</u>	<u>(250,152)</u>	<u>(2,112,500)</u>
Capital assets being depreciated, net	<u>1,764,896</u>	<u>(211,154)</u>	<u>1,553,742</u>
Governmental activities – capital assets, net	<u>\$ 3,650,646</u>	<u>\$ (211,154)</u>	<u>\$ 3,439,492</u>
	Balance, October 1, 2009	Additions	Balance, September 30, 2010
Business-Type Activities:			
Capital assets being depreciated:			
Infrastructure	\$ 598,517	\$ -	\$ 598,517
Machinery and equipment	7,552	-	7,552
Total capital assets being depreciated	<u>606,069</u>	<u>-</u>	<u>606,069</u>
Accumulated depreciation	<u>(305,517)</u>	<u>(44,249)</u>	<u>(349,766)</u>
Capital assets being depreciated, net	<u>300,552</u>	<u>(44,249)</u>	<u>256,303</u>
Business-type activities – capital assets, net	<u>\$ 300,552</u>	<u>\$ (44,249)</u>	<u>\$ 256,303</u>

Depreciation expense was charged to functions of the primary government as follows:

General government	\$ 29,393
Public safety	53,658
Physical environment	156,595
Culture and recreation	10,506
	<u>\$ 250,152</u>

TOWN OF MALABAR, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS – CONTINUED

5. **Accounts Payable and Accrued Liabilities:**

Accounts payable and accrued liabilities consist of the following at September 30, 2010:

	Governmental Activities <hr/> General Fund	Business-Type Activities <hr/> Enterprise Fund	Government- Wide
Accounts Payable:			
Vendors	\$ 30,129	\$ 20,015	\$ 50,144
Accrued Liabilities:			
Salaries and benefits	\$ 9,748	\$ -	\$ 9,748

6. **Ad Valorem Tax Revenues:**

The Town levied a millage rate of \$1.663 per \$1,000 of assessed value for the fiscal year 2010 and \$1.663 for the fiscal year 2011. The County of Brevard, Florida, bills and receives payments for all property taxes levied by the Town. Payments are then remitted to the Town. Under the laws of Florida Chapter 74-430 (as amended by 85-381), the Town may not increase its millage by 10% without a vote from the residents of the Town.

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

7. **Employee Benefit Plans:**

A. **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; or by contacting Research & Education by email at rep@frs.state.fl.us, or by phone at 850-488-5706 or SUNCOM 278-5706.

TOWN OF MALABAR, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS – CONTINUED

7. **Employee Benefit Plans – Continued:**

A. **Defined Benefit Pension Plan – Continued**

The contribution rates in effect during the year ended September 30, 2010, are as follows (contribution rates are in agreement with the actuarially determined rates):

	<u>Employee</u>	<u>Employer</u>
Senior management	0%	14.57%
Regular employees	0%	10.77%
Special risk employees	0%	23.25%

Contributions to the FRS, for fiscal year ended September 30, 2010, were equal to the required contribution of the annual covered payroll. Contributions to the FRS for fiscal years ended September 30, 2010, 2009, and 2008 were \$37,773, \$51,424, and \$50,180, respectively.

8. **Operating Leases as Lessor:**

The Town entered into an agreement with PJ Development, Inc. on January 16, 2006, to lease a parcel of land for a cellular phone tower. The lease term is five years and the base rental payment is \$1,200 per month for the first carrier with an increase of \$200 per month for each non-government user of the cellular phone tower. The lease is renewable for five successive terms of five years each. The current term expires in 2011. The base rent can be increased by 15% on each five year anniversary of the lease. For the fiscal year ended September 30, 2010, the Town received \$14,400 in rental income under this agreement. The amount of minimum rentals to be received is as follows:

Fiscal Year 2011	\$ <u>4,800</u>
	\$ <u><u>4,800</u></u>

The carrying value of this land is not specifically identifiable.

9. **Long-Term Obligations:**

Changes in long-term obligations for the year ended September 30, 2010, were as follows:

	Balance, October 1, 2009	Additions	Reductions	Balance, September 30, 2010
Compensated absences	\$ 104,430	\$ -	\$ 24,144	\$ 80,286
Capital leases	292,279	-	82,623	209,656
	<u>\$ 396,709</u>	<u>\$ -</u>	<u>\$ 106,767</u>	<u>\$ 289,942</u>

TOWN OF MALABAR, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS – CONTINUED

9. Long-Term Obligations – Continued:

Summary of principal requirements:

Fiscal Year	<u>Capital Leases</u>
2011	\$ 58,393
2012	50,684
2013	31,912
2014	33,500
2015	<u>35,167</u>
	<u>\$ 209,656</u>

Compensated absences are not included in the above table as the maturities are indeterminable.

	<u>September 30, 2010</u>
Capital Leases:	
The Town entered into a lease agreement with Riverside Bank on November 22, 2005, to finance the purchase of a dump truck. The lease requires monthly payments of \$1,366 including interest at 4.4% through November 11, 2010.	\$ 2,718
The Town entered into a lease agreement with Riverside Bank on January 30, 2007, to finance the purchase of a 2004 Ford mini pumper truck. The lease requires monthly payments of \$980 including interest at 4.75% through January 25, 2012.	15,160
The Town entered into a lease agreement with Riverside Leasing Company on August 23, 2007, to finance the purchase of a 2007 Ford F-550 Wildland Firetruck. The lease requires monthly payments of \$1,393 including interest at 5.176% through September 4, 2012.	31,840
The Town entered into a lease agreement with Leasing 2, Inc. on August 1, 2008, to finance the purchase of a Sutphen 75' Quint ladder truck. The lease requires annual payments of \$36,917 including interest at 4.98% through December 15, 2014.	<u>159,938</u>
	<u>\$ 209,656</u>

The present value of future minimum lease payments under the capital leases at September 30, 2010, is as follows:

	<u>General Long-Term Obligations</u>
Total payments required	\$ 236,435
Less amount representing interest	<u>(26,779)</u>
Present value of future minimum lease payments	<u>\$ 209,656</u>

Equipment under the capital leases is \$496,161 and is included in capital assets net of accumulated depreciation of \$200,159.

TOWN OF MALABAR, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS – CONTINUED

10. Risk Management:

The Town is exposed to various risks of loss related to torts; theft or, damage and destruction of assets, errors and omissions; and natural disasters. In order to limit its exposure to these risks, the Town is a participant in the Florida League of Cities (a not-for-profit corporation) self-insurance program for workers compensation, general and auto liability, and property insurance. The self-insurance program purchases excess and specific coverages from third party insurance carriers. Participants in the program are billed annually for their portion of the cost of the program adjusted for actual experience during the period of coverage. Participants are not retroactively assessed for unanticipated losses incurred by the program. Premiums paid by the Town during the year totaled \$55,131. There have been no significant reductions in insurance coverages during fiscal year 2010. Settled claims have not exceeded insurance coverage in any of the past three years.

11. Commitments, Contingencies, and Subsequent Events:

A. Litigation

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

B. Grant Expenditures

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

12. Other Required Individual Fund Disclosures:

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

A. Interfund Transactions and Balances

Individual fund interfund receivable and payable balances at September 30, 2010, were:

	Interfund Receivables	Interfund Payables
Fund:		
Governmental funds:		
General fund	\$ 124,338	\$ 231,873
Stormwater	231,873	-
Enterprise fund – water fund	-	124,338
	\$ 356,211	\$ 356,211

B. Reserved Fund Balances

The Town had fund balance reservations for the following purposes:

Prepaid items	\$ 2,214
Stormwater	231,873
	\$ 234,087

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, 2010

	General Fund				Positive (Negative) Variance
	Original Budget	Budget Adjustments	Final Budget	Actual	
Revenues:					
Ad valorem taxes	\$ 388,538	\$ -	\$ 388,538	\$ 399,415	\$ 10,877
Franchise fees	223,540	-	223,540	218,398	(5,142)
Utility taxes	207,859	-	207,859	235,346	27,487
Licenses, permits, and fees	125,956	-	125,956	91,406	(34,550)
Intergovernmental revenue	547,953	-	547,953	381,617	(166,336)
Fines and forfeitures	120	-	120	325	205
Interest	17,000	-	17,000	10,611	(6,389)
Miscellaneous	33,800	7,764	41,564	41,950	386
Total revenues	<u>1,544,766</u>	<u>7,764</u>	<u>1,552,530</u>	<u>1,379,068</u>	<u>(173,462)</u>
Expenditures:					
Current operating:					
General government	487,819	11,673	499,492	471,296	28,196
Public safety – fire	236,225	(790)	235,435	203,684	31,751
Physical environment	478,502	26,760	505,262	534,042	(28,780)
Culture and recreation	47,646	481	48,127	47,039	1,088
Debt service:					
Principal	82,607	-	82,607	82,623	(16)
Interest and other charges	13,197	-	13,197	13,371	(174)
Capital outlay	<u>198,770</u>	<u>(30,360)</u>	<u>168,410</u>	<u>9,190</u>	<u>159,220</u>
Total expenditures	<u>1,544,766</u>	<u>7,764</u>	<u>1,552,530</u>	<u>1,361,245</u>	<u>191,285</u>
Excess of Revenues Over Expenditures	-	-	-	17,823	17,823
Fund Balances, Beginning of Year	<u>778,596</u>	-	<u>778,596</u>	<u>778,596</u>	-
Fund Balances, End of Year	<u>\$ 778,596</u>	<u>\$ -</u>	<u>\$ 778,596</u>	<u>\$ 796,419</u>	<u>\$ 17,823</u>

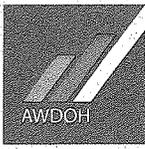
TOWN OF MALABAR, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GOVERNMENTAL FUNDS – CONTINUED

Year Ended September 30, 2010

	Stormwater Fund		
	Original and Final Budget	Actual	Positive (Negative) Variance
Revenues:			
Intergovernmental revenue	\$ 65,368	\$ 64,810	\$ (558)
Total revenues	<u>65,368</u>	<u>64,810</u>	<u>(558)</u>
Expenditures:			
Current operating:			
General government	11,600	26,617	(15,017)
Capital outlay	<u>153,768</u>	<u>29,837</u>	<u>123,931</u>
Total expenditures	<u>165,368</u>	<u>56,454</u>	<u>108,914</u>
Excess (Deficiency) of Revenues Over Expenditures	(100,000)	8,356	108,356
Fund Balances, Beginning of Year	<u>223,517</u>	<u>223,517</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 123,517</u>	<u>\$ 231,873</u>	<u>\$ 108,356</u>

SUPPLEMENTARY FINANCIAL REPORTS COMPLIANCE SECTION



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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 the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Malabar, Florida (the "Town") as of and for the year ended September 30, 2010, which collectively comprise the Town's basic financial statements and have issued our report thereon dated March 24, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of auditors' findings and recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of auditors' findings and recommendations (item A.1) to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of auditors' findings and recommendations (item C) to be significant deficiencies.

Honorable Mayor and Town Council
Town of Malabar, Florida

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*.

The Town's responses to the findings identified in our audit is described in the accompanying schedule of auditors' findings and recommendations. We did not audit the Town's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Town, its management and specified legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

Querett Warmus Durkee Osburn Henning

March 24, 2011

TOWN OF MALABAR, FLORIDA

AUDITORS' FINDINGS AND RECOMMENDATIONS – CONTINUED

TOWN OF MALABAR, FLORIDA

AUDITORS' FINDINGS AND RECOMMENDATIONS

A. Internal Control Related Matters:

During our test of transactions, the following were noted:

1. Segregation of Duties:

Finding:

Due to the small size of the entity, there is a lack of segregation of duties in the accounting, administrative, and financial reporting functions.

Recommendation:

The involvement of the Town Council in the operations of the Town helps mitigate this condition. Two signatures are required for disbursement and the Town Council approves the annual budget and reviews expenditures monthly.

Management's Response:

The Town considers the benefit of complete segregation of duties to exceed the costs. Therefore, the Town has segregated duties and responsibilities to the greatest extent possible as follows:

- Payroll duties and the HR Administration were separated in October 2007.
- Town Administrator is responsible for HR Functions as of October 2007.
- Expenditures are reviewed by a designated councilmember prior to checks being prepared.
- All checks are signed by two of the four authorized signers. Authorized signers are the Town Clerk/Treasurer, Town Administrator, Mayor, and a delegated council member selected annually in November.
- Since September 2007, an outside accountant prepares the bank reconciliations and month end financials. The outside accountant also attends council meetings to address any council concerns on a quarterly basis.

B. Water Fund Items:

Finding:

1. The Town's subsidiary receivables ledger did not reconcile to the general ledger control account for utility deposits.
2. The water fund lost \$52,918 from operations for fiscal year 2010 and has a deficit unrestricted fund balance of \$24,099.

Recommendation:

1. We recommend management research the reasons for the discrepancies and implement controls in a timely manner to reduce lost resources.
2. We recommend the Town Council evaluate its water operations including customer rate changes and implement measures to eliminate future operational losses.

Management's Response:

1. Management is conducting an internal audit on every customer's account.
2. The Town accountant provides monthly financials to the Town Council to give them better information on the status of the water utility fund in a more timely manner.

TOWN OF MALABAR, FLORIDA

PRIOR YEAR RECOMMENDATIONS AND OTHER MATTERS

Prior Year Recommendations:

<u>Prior Year Recommendation</u>	<u>Current Year Status</u>
A. Internal Control Related Matters	
1. Segregation of duties	Partially implemented – see current year item A-1
2. Financial reporting	Implemented
B. Process Improvements	
1. Fees, licenses, and permit issues	Implemented
2. Capital assets items	Implemented
C. Water Fund Issues:	
1. Commercial water billings are not calculating correctly within the IMS utility billing software	Implemented
2. Subsidiary ledger did not reconcile to general ledger control	Not implemented – see current year item C-1
3. Recurring operating loss	Not implemented – see current year item C-2

TOWN OF MALABAR, FLORIDA

AUDITORS COMMENTS AND RECOMMENDATIONS (MANAGEMENT LETTER)

September 30, 2010

In accordance with the Rules of the Auditor General of the State of Florida, the following is noted:

1. The financial report filed with the Department of Financial Services pursuant to Florida Statutes Section 218.32 is in agreement with the annual financial audit report for the year ended September 30, 2010.
2. Based on our audit procedures performed, no indication came to our attention that caused us to believe that the Town of Malabar, Florida met any of the conditions described in Florida Statutes Section 218.503(1). However, because of the operating losses incurred in the water fund in recent years, the Town has faced deteriorating financial conditions.

The Town's water fund operations in each of the past three years were as follows:

	<u>Operations Income (Loss)</u>	<u>Interest Income</u>	<u>Transfer From General Fund</u>	<u>Net Income (Loss)</u>
2008	\$ (55,508)	\$ 1,253	\$ -	\$ (54,255)
2009	(55,944)	384	-	(55,560)
2010	(52,918)	58	-	(52,860)

3. The Town of Malabar, Florida was formed in 1962 and incorporated under Chapter 29576 of the Laws of Florida and does not have any component units.
4. The auditors applied financial condition assessment procedures per Auditor General Rule 10.556(8). It is management's responsibility to monitor Town of Malabar, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of information provided by same.
5. Based on our audit procedures performed, the Town of Malabar, Florida was in compliance with Florida Statutes Section 218.415 regarding the investment of public funds.

RESOLUTION NO. 98-2011

A RESOLUTION OF THE TOWN OF MALABAR, BREVARD COUNTY, FLORIDA, PROVIDING FOR COUNCIL APPROVAL OF THE PROPOSAL FROM MCKINNEY COMMERCIAL CONSTRUCTION GROUP, INC. FOR ROOF REPAIRS TO THE ROOF OF THE PUBLIC WORKS BUILDING AT A FIXED COST OF \$5,640.00; PROVIDING AN EFFECTIVE DATE.

WHEREAS, Malabar Town Council has determined the need to repair the leaks in the public works buildings; and

WHEREAS, The repair was put out to bid and three submittals were received; and

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 selects and approves McKinney Commercial Construction Group, Inc. as the Company to provide the Roof Repairs to the Public Works Building for a price of \$5,640.00.

Section 2.

The Town Council of Malabar, Brevard County, Florida, hereby authorizes and directs the Town Administrator to direct the funds to be allocated for roof repairs from the Public Works Department repair line item in this year's budget.

Section 3.

The Town Council of Malabar, Brevard County, Florida, hereby authorizes and directs the Town Clerk to notify the selected company advising that a Building Permit and the required Inspections will be a required part of this project before final payment.

Section 4.

This resolution shall take effect immediately upon its adoption

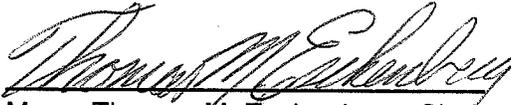
This Resolution was moved for adoption by Council Member Rivet. This motion was seconded by Council Member Acquaviva and, upon being put to vote, the vote was as follows:

Council Member Carl Beatty
Council Member David White
Council Member Steven (Steve) Rivet
Council Member Jeffrey (Jeff) McKnight
Council Member Marisa Acquaviva

Aye
Excused
Aye
Excused
Aye

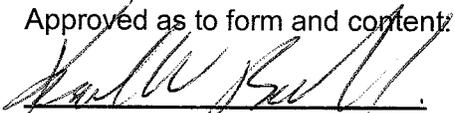
This Resolution was then declared to be duly passed and adopted this 12th day of September, 2011.

Town of Malabar



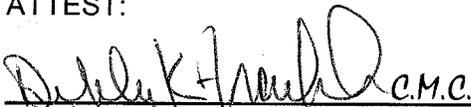
Mayor Thomas M. Eschenberg, Chair

Approved as to form and content:



Karl W. Bohne, Jr., Town Attorney

ATTEST:



Debby K. Franklin
Town Clerk/Treasurer

(seal)

McKinney
COMMERCIAL CONSTRUCTION GROUP INC.



Preliminary Estimate

June 8, 2011

Town of Malabar
2725 Malabar Road
Malabar, Florida 32950

Project: Maintenance building roof repair

Dear Bonnie,

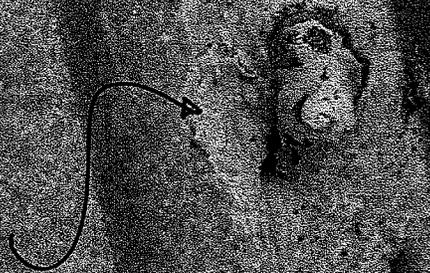
The following pricing is for the general maintenance of your existing roof system that is installed on the utility building. The building's roof had some repairs completed on the skylights last year, however the problem is more in the lines with the maintenance than repair. You have a few fasteners that have the panels rusty around them and need to be repaired. (Picture #1) Also, throughout the roof area there are a number of fasteners that are broken off, stripped out or the rubber washer (picture #2) has started to crack from being exposed to the elements for so long. I would suggest that we remove the current fastener due to age and install new over size fasteners with new rubber washer thru out the entire roof area and associated trim along the building perimeter.

Amount Requested: \$ 5,640.00

Sincerely,

Curtis McKinney
President

Picture # 12



* PANEL RUSTING THRU
PATCH METAL ROOF
PANELS IN STAIN NEW
FASTENERS