



Town of Orchid, Florida
FINANCIAL STATEMENTS
Year Ended September 30, 2019



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Town of Orchid, Florida
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September 30, 2019

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**Town of Orchid, Florida
Town Officials
As of September 30, 2019**

Harold Ofstie
Mayor

Robert Gibbons
Vice-Mayor

Simms Browning
Paul Knapp
Patti Oertle-Phaneuf
Council Members

Warren W. Dill
Town Attorney

Noah Powers
Town Manager

Cherry Stowe
Town Clerk



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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the Town Council
Town of Orchid, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the Town of Orchid, Florida, as of and for the year ended September 30, 2019, and the budgetary comparison information for the General Fund and related notes to the financial statements, which collectively comprise the Town of Orchid, Florida's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Town of Orchid, Florida as of September 30, 2019, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2020, on our consideration of the Town of Orchid, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Orchid, Florida's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Orchid, Florida's internal control over financial reporting and compliance.

Cam, Riggs & Ingram, L.L.C.

Melbourne, Florida
January 2, 2020



Town of Orchid, Florida Management's Discussion and Analysis September 30, 2019

The purpose of Management's Discussion and Analysis (MD&A) is to give an objective and easily readable analysis of the Town of Orchid's (the "Town") financial performance for the fiscal year ended September 30, 2019, and to serve as an introduction to the audited financial statements. The MD&A also includes information on significant variations from budget and prior year actual.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of fiscal year 2019 by \$1,211,493 (net position). Of this amount, \$1,022,807 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased from the prior year by a net amount of \$297,461. This increase was due primarily because there was no storm event and therefore budgeted expenditures for dune and beach repair were not spent.
- As of the close of the current fiscal year, the Town's governmental fund reported ending fund balance of \$1,208,127 an increase of \$228,838 from the prior year. Approximately 99 percent of this total amount, or \$1,198,814, is unassigned 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 financial statements.

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

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

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

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

Town of Orchid, Florida
Management's Discussion and Analysis
September 30, 2019

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

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

The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the fund to demonstrate compliance with this budget.

Government-Wide Financial Analysis

As previously stated, net position may serve over time as a useful indicator of the Town's financial position. The following is a summary of the Statement of Net Position as of September 30:

	Net Position	
	Governmental Activities 2019	2018
Assets		
Current and other assets	\$ 1,229,429	\$ 1,005,685
Capital assets, net	188,686	202,372
Total assets	1,418,115	1,208,057
Liabilities		
Long-term liabilities outstanding	185,320	267,629
Other liabilities	21,302	26,396
Total liabilities	206,622	294,025
Net position		
Investment in capital assets	188,686	202,372
Unrestricted	1,022,807	711,660
Total net position	\$ 1,211,493	\$ 914,032

Town of Orchid, Florida
Management's Discussion and Analysis
September 30, 2019

As of September 30, 2019, the Town's assets exceeded liabilities by \$1,211,493. The Town's investment in capital assets as of September 30, 2019 was \$188,686 or 15.6% of net position. The Town's net position is encumbered by \$175,000 of debt in the form of a Municipal Note payable to the Orchid Island Golf and Beach Club Association, Inc. (see Note 5). No external legal restrictions are in place to specify how net position may be used. With regard to capital assets of the Town, infrastructure assets consist of the street lights along the roads within the Town. Note 4 of the Notes to Financial Statements provides detail on the Town's capital asset activity for the year.

The following is a summary of the Statement of Activities for the years ended September 30:

	Change in Net Position Governmental Activities	
	2019	2018
Program revenues:		
Charges for services	\$ 93,026	\$ 92,654
General revenues:		
Property taxes	579,828	913,980
Intergovernmental	128,494	141,831
Interest earnings	18,252	5,684
Other revenue	16,835	25,774
Total revenues	836,435	1,179,923
Expenses:		
General government	433,075	389,870
Public works	105,899	102,454
Culture and recreation	-	234,972
Total expenses	538,974	727,296
Change in net position	297,461	452,627
Net position:		
Beginning of year	914,032	461,405
End of year	\$ 1,211,493	\$ 914,032

Property Taxes. Each year during the budget process, the millage rate is adjusted to ensure anticipated expenditures are covered by total revenues. The Town's millage rate decreased from 2.3000 for 2018 to 1.4000 for 2019.

Intergovernmental. There was a small decrease in overall intergovernmental revenue from the previous year, due to increased state funding. Intergovernmental revenue includes local option fuel tax, discretionary sales surtax, communications services tax, state revenue sharing, local government 1/2 cent sales tax and alcohol licenses. The Town's population, which is a factor in some formulas for state revenue distribution, did not change significantly.

Town of Orchid, Florida
Management's Discussion and Analysis
September 30, 2019

Charges for Services. Charges for services (licenses and permits) revenue increased \$372 from the prior year. Licenses and permits revenue includes building permit revenue and contractor registration fees. Building permits are issued for new construction, additions, renovations and demolitions.

Interest Earnings. During fiscal year 2018-2019, the Town's interest earnings increased \$12,568 from the prior year. All of the Town's deposited funds are earning modest rates of interest and are readily available while protected under the Florida Security for Public Deposits Act.

Employment Costs. During fiscal year 2018-2019, Town staff positions consisted of two full-time positions (Town Manager and Town Clerk) and two part-time positions (Building Permit Clerk and Chief of Police). There was an increase in wages due to raises. The Town pays 7.5% of the salary into a 401(a) plan and 100% of health insurance premium of a qualified employee. During fiscal year 2018-2019, expenditures for employee insurance benefits increased \$2,162 due to increased cost of insurance and expenditures for pension increased \$1,010 from the prior year because of salary increases. These increases were included in the general government expense line item.

The liability for employee compensated absences (vacation accrual) at September 30, 2019 increased to \$10,320 from \$5,129 in 2018 resulting in a net increase of \$5,191. The timing of employees taking vacation is the primary cause for the increase. The corresponding expenditure was reflected in the applicable salaries, wages, payroll taxes and pension expense accounts in the general ledger instead of a separate expense account.

Culture and Recreation. There was no dune and beach repair in 2018-19.

Financial analysis of the governmental fund

Municipal Note Payment. On February 24, 2017 the Town received a four-year Municipal Note from the Orchid Island Golf and Beach Club Inc., for \$350,000 with an annual interest rate of 1.56%. As of September 30, 2019, the Town has two annual payment remaining on the note. The total principal and interest payments due in 2020 and 2021 is \$179,125.

Program Revenues and Expenditures. Expenditures related to building department activities are included in various operating expenses. In determining program expenditures for building department activities to match against building department revenues, the Town includes 100% of expenditures for the Contract Building Official and Building Clerk, plus indirect cost rates of the various operating expenses. The indirect cost rates was determined through a percentage of salary for administrative staff conducting building permit functions, percent of total staff for utilities expenses used by all staff and percent of space for operational expenses. Fiscal year 2018-2019 building department revenue (registration fees plus building permit revenue) totaled \$87,565 and related expenditures, computed as indicated, were less than revenues by \$2,565.

Town of Orchid, Florida
Management's Discussion and Analysis
September 30, 2019

General Fund Budgetary Highlights

Review of budget to actual numbers for fiscal year 2018-2019 shows that actual revenues exceeded budgeted revenues by \$54,682. While State Revenues were down; property tax collection increased, licenses and permits collections increased, interest earnings increased and other revenue collections accounted for revenues exceeding the budget. General government expenditures were less than budgeted by \$174,156 because professional and legal fees and capital outlay expenses were less than expected. Culture and recreation expenditures for the repair of dunes and beach repairs that the Town budgeted did not materialize, causing expenditures to be under budget.

See the Budgetary Comparison Statement for the General Fund on page 22 for more details.

Capital Assets

The Town's capital assets for its governmental activities as of September 30, 2019 amounted to \$188,686 (net of accumulated depreciation). This investment in capital assets includes building, building improvements, street lights, and machinery and equipment.

	Governmental Activities	
	2019	2018
Streetlights, not placed in service	\$ 5,402	\$ 8,103
Buildings	59,443	63,820
Streetlights installed	117,807	122,871
Furniture and fixtures	4,021	5,100
Machinery & equipment	2,013	2,478
Total capital assets, net	\$ 188,686	\$ 202,372

Additional information on the Town's capital assets can be found in Note 4 to the financial statements.

Long-Term Debt

At the end of the current fiscal year, the Town had total long-term debt outstanding of \$185,320. Of this amount, \$175,000 consists of the municipal note payable for the beach dune restoration. More detailed information regarding these activities can be found in Note 5 of the Notes to the Financial Statements.

Town of Orchid, Florida
Management's Discussion and Analysis
September 30, 2019

	Total Long-Term Debt Governmental Activities	
	2019	2018
Note payable	\$ 175,000	\$ 262,500
Compensated absences	10,320	5,129
Total long-term debt	\$ 185,320	\$ 267,629

Economic Factors and Next Year’s Budget and Rates

The overall financial position of the Town of Orchid and results of operations continue to remain positive. Property taxes are expected to increase while intergovernmental revenues for fiscal year 2019-2020 are estimated to be down from those in fiscal year 2018-2019. The Town, being essentially built-out, anticipates limited revenue from building permit fees for new construction.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town of Orchid's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, may be addressed to the Town Manager at 7707 US Highway 1, Suite 1, Vero Beach, FL 32967.



TOWN OF ORCHID, FLORIDA

Basic Financial Statements



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Town of Orchid, Florida
Statement of Net Position

September 30, 2019

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,197,229
Accounts receivable	4,630
Due from other governments	18,257
Prepaid items	9,313
Capital assets:	
Nondepreciable:	
Streetlights, not placed in service	5,402
Depreciable, net of accumulated depreciation:	
Buildings	59,443
Streetlights installed	117,807
Furniture and fixtures	4,021
Machinery and equipment	2,013
Total assets	1,418,115
LIABILITIES	
Accounts payable	13,345
Accrued payroll and related liabilities	5,547
Unearned revenue	2,410
Noncurrent liabilities:	
Due within one year:	
Compensated absences	10,320
Note payable	87,500
Due in more than one year:	
Note payable	87,500
Total liabilities	206,622
NET POSITION	
Investment in capital assets	188,686
Unrestricted	1,022,807
Total net position	\$ 1,211,493

The accompanying notes are an integral part of these financial statements.

Town of Orchid, Florida
Statement of Activities

For the year ended September 30, 2019

Functions/Programs	Expenses	Program Revenues	
		Charges for Services and Fines	Operating Grants and Contributions
General government	\$ 433,075	\$ 93,026	\$ -
Public works	105,899	-	-
Total governmental activities	\$ 538,974	\$ 93,026	\$ -

General revenues:

Property taxes
Intergovernmental
Interest earnings
Other revenue

Total general revenues

Change in net position

Net position, beginning of year

Net position, end of year

The accompanying notes are an integral part of these financial statements.

		Net (Expense) Revenue and Changes in Net Position	
		Capital Grants and Contributions	Governmental Activities
\$	-	\$	(340,049)
	-		(105,899)
\$	-	\$	(445,948)
			579,828
			128,494
			18,252
			16,835
			743,409
			297,461
			914,032
		\$	1,211,493

The accompanying notes are an integral part of these financial statements.

Town of Orchid, Florida
Balance Sheet
Governmental Fund

September 30, 2019

General Fund

ASSETS

Cash and cash equivalents	\$	1,197,229
Accounts receivable		4,630
Due from other governments		18,257
Prepaid items		9,313
Total assets	\$	1,229,429

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	\$	13,345
Accrued liabilities		5,547
Unearned revenue		2,410
Total liabilities		21,302

Fund balances:

Nonspendable		
Prepaid items		9,313
Unassigned		
Minimum fund balance		151,899
Other		1,046,915
Total fund balances		1,208,127
Total liabilities and fund balances	\$	1,229,429

The accompanying notes are an integral part of these financial statements.

Town of Orchid, Florida
Reconciliation of Fund Balance of Governmental Fund to Net Position
of Governmental Activities

September 30, 2019

Total fund balance of governmental fund	\$ 1,208,127
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund.

Capital assets not being depreciated	5,402
Capital assets being depreciated, net	183,284

Certain liabilities are not due and payable in the current period, and therefore are not reported in the fund.

Accrued compensated absences	(10,320)
Long-term debt, municipal note	(175,000)

Net position of governmental activities	\$ 1,211,493
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The accompanying notes are an integral part of these financial statements.

Town of Orchid, Florida
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Fund

For the year ended September 30, 2019

General Fund

Revenues

Property taxes	\$	579,828
Intergovernmental		128,494
Licenses and permits		93,026
Interest earnings		18,252
Other revenue		16,835
<hr/>		
Total revenues		836,435

Expenditures

Current:		
General government		418,062
Public works		93,954
Debt service:		
Principal		87,500
Interest		4,095
Capital outlay		3,986
<hr/>		
Total expenditures		607,597

Excess of revenues over expenditures		228,838
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Fund balances, beginning of year		979,289
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Fund balances, end of year	\$	1,208,127
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The accompanying notes are an integral part of these financial statements.

Town of Orchid, Florida

**Reconciliation of Net Change in Fund Balance of Governmental Fund to Change
in Net Position of Governmental Activities**

For the year ended September 30, 2019

Net change in fund balances - total governmental funds **\$ 228,838**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	3,986
Depreciation expense	(16,999)

Governmental funds report only the proceeds from the sale of capital assets. However, in the statement of activities, the amount of the proceeds (if any) are shown net of the remaining book value of the assets disposed. This is the amount of the loss realized on current year dispositions.

Loss on disposal of capital assets	(673)
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The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This transaction, however, has no effect on net position.

87,500

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in the accrual for compensated absences	(5,191)
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Change in net position of governmental activities	\$ 297,461
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The accompanying notes are an integral part of these financial statements.

Town of Orchid, Florida
Statement of Revenues, Expenditures and Change in Fund
Balance – Budget and Actual: General Fund

<i>For the year ended September 30, 2019</i>	Original Budget	Final Budget	Actual	Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 573,519	\$ 573,519	\$ 579,828	\$ 6,309
Intergovernmental	139,634	139,634	128,494	(11,140)
Licenses and permits	55,000	55,000	93,026	38,026
Interest earnings	9,000	9,000	18,252	9,252
Other revenue	4,600	4,600	16,835	12,235
Total revenues	781,753	781,753	836,435	54,682
Expenditures				
Current:				
General government	483,220	483,220	418,062	65,158
Public works	88,350	88,350	93,954	(5,604)
Debt service	91,595	91,595	91,595	-
Capital outlay	28,000	28,000	3,986	24,014
Contingency / reserve replenishment	90,588	90,588	-	90,588
Total expenditures	781,753	781,753	607,597	174,156
Excess of revenues over expenditures	-	-	228,838	228,838
Fund balances, beginning of year	979,289	979,289	979,289	-
Fund balances, end of year	\$ 979,289	\$ 979,289	\$ 1,208,127	\$ 228,838

The accompanying notes are an integral part of these financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Town of Orchid, Florida (the “Town”) is a political subdivision of the state of Florida, created by special legislative act Chapter 65-20021 in 1965 in Florida and organized under section 166.031, Florida Statutes, and is located in Indian River County. The legislative branch of the Town is composed of a five-member elected council, including a Mayor elected by the Council. The Town Council is governed by the Town Charter and by state and local laws and regulations. The Town Council is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Council-appointed Town Manager.

The accounting policies of the Town conform to generally accepted accounting principles as applicable to governments.

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. No potential component units were found for which the above criteria required consideration in defining the government’s reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. 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 Town had no business-type activities at September 30, 2019.

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.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. 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 Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and as such 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 Town.

The Town reports the following major governmental fund:

The *General Fund* is the Town's operating fund. It accounts for all the financial resources of the general government.

Restricted net position is subject to restrictions beyond the Town's control. The restrictions may be externally imposed or imposed by law. 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. The Town reported no restricted net position at September 30, 2019.

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

1. Cash and cash equivalents

The Town's cash and cash equivalents are considered to be cash on hand and demand deposits.

2. Receivables

All receivables are shown net of an allowance for un-collectibles, as applicable.

Amounts due from other governments include amounts due from the State of Florida for state revenue sharing. Program and capital grants are recorded as receivables and revenues at the time reimbursable project costs are incurred. Revenues received in advance of project costs being incurred are reported as "unearned."

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (continued)

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

4. Capital Assets

Capital assets, which include building, property and equipment, and infrastructure assets (primarily streetlights acquired or constructed since 1980), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Town as assets having a useful life in excess of three years and whose costs exceed \$1,000. Streetlights that are not yet placed in service are not depreciated. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are recorded at their estimated acquisition cost as of the donation date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The cost for sand dune re-nourishment projects are expensed as incurred.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, streetlights, and equipment are depreciated using the straight-line method over the following estimated useful lives:

	Years
Building	20
Streetlights installed	20
Furniture and fixtures	10 - 20
Machinery and equipment	5 - 20

The Town reviews capital assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its fair value. If it is determined that an impairment loss has occurred, the asset is written down to its net realizable value and a current charge to income is recognized.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (continued)

5. Compensated Absences

Eligible employees are permitted to accumulate earned but unused vacation pay benefits in varying amounts based on length of service and certain other established criteria. Vacation leave begins accruing on the employee's anniversary date. Effective May 2017, it was approved by the Council to allow for a maximum carry-over of 20 vacation days with any excess to be forfeited. Vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. Unearned Revenue

Unearned revenue includes amounts collected before the revenue recognition criteria are met. The unearned items consist primarily of funds received that have not yet been expended for the required purpose.

7. Long-term liabilities

In the government-wide financial statements, long-term debt is reported as liabilities in the governmental activities statement of net position.

8. Property Taxes

Property values are assessed as of January 1 each year, at which time taxes become an enforceable lien on property. Tax bills are mailed for the Town by Indian River County (the "County") on or about October 1 of each year and are payable with discounts of up to 4% offered for early payment. Taxes become delinquent on April 1 of the year following the year of assessment and State law provides for enforcement of collection of property taxes by seizure of the real property or by the sale of interest-bearing tax certificates to satisfy unpaid property taxes.

Assessed values are established by the Indian River County Property Appraiser. The County bills and collects all property taxes and remits the Town's proportionate share to the Town. In 2008, Florida Amendment One passed which closed a loophole in the original 1992 amendment that would not allow homeowners to take their property tax cap with them when they moved. It doubled the amount of homestead exemption from \$25,000 to \$50,000 on all but the least expensive homes, and created a 10% annual cap on the assessed value increase of non-homesteaded property.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (continued)

State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of assessed taxable valuation). The tax levy of the Town is established by the Town Council, and the Indian River County Property Appraiser incorporates the Town's millage into the total tax levy, which includes the County and the County School Board tax requirements. The millage rate assessed by the Town for the year ended September 30, 2019 was 1.4000 mills (\$1.4000 per \$1,000 of taxable assessed valuation).

9. Fund Balances

Governmental funds report non-spendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town Council (the government's highest level of decision-making authority). A formal resolution of the Town Council is required to establish, modify, or rescind a fund balance commitment. The Town reports assigned fund balance for amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The Town Council has delegated the authority to assign fund balance to the Town Manager or his/her designee. Unassigned fund balance is the residual classification for the General Fund.

When the Town incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance

Through the adoption of Resolution 2011-02, the Town established a targeted minimum reserve balance in its unassigned fund balance equal to 25% of the current fiscal year operating expenditures and transfers out. If, at the end of any fiscal year, the actual amount of unassigned fund balance falls below the targeted levels set forth, the Town Manager will prepare the subsequent year's budget with expenditure or expense reductions and/or revenue increases necessary to restore the minimum requirements.

10. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (continued)

11. Subsequent Events

Subsequent events were evaluated through January 2, 2019, which is the date the financial statements were available to be issued.

NOTE 2: BUDGETARY INFORMATION

The Town follows the procedures below in establishing the budgetary data reflected in the accompanying financial statements:

1. Annually, the Town Manager submits to the Town Council a proposed operating budget for the ensuing fiscal year, commencing October 1. The operating budget includes proposed expenditures and the means of funding them.
2. Public hearings are conducted to obtain taxpayer comments regarding the Town's budget and millage rate in accordance with Chapter 200 of the Florida Statutes.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance. It is adopted at the Town Council level of government.
4. During the fiscal year ended September 30, 2019, there were no budget amendments.
5. Annual appropriated budgets are adopted for the General Fund on a basis consistent with accounting principles generally accepted in the United States of America.
6. The Town Council may make, by ordinance, supplemental appropriations during the fiscal year. There were no supplemental appropriations for the fiscal year ended September 30, 2019.
7. The Town's budget is adopted on a basis consistent with generally accepted accounting principles in the United States of America. The Town's budgetary level of control is legally maintained at the fund level.

NOTE 3: DEPOSITS

At September 30, 2019, the Town's carrying amount of cash deposits was \$1,196,929 and the bank balance was \$1,203,807. In addition, the Town reported petty cash of \$300. As of September 30, 2019, the Town maintains cash balances at one bank that is insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Depositories Act.

Town of Orchid, Florida
Notes to Financial Statements

NOTE 4: CAPITAL ASSETS

Capital asset activity for the primary government for the year ended September 30, 2019, was as follows:

Governmental activities:	Beginning Balance	Additions / Transfers	Disposals / Tranfers	Ending Balance
Capital assets, not being depreciated:				
Streetlights, not placed in service	\$ 8,103	\$ -	\$ (2,701)	\$ 5,402
Total capital assets, not being depreciated	8,103	-	(2,701)	5,402
Capital assets, being depreciated:				
Buildings	87,545	-	-	87,545
Streetlights installed	247,890	6,687	(1,683)	252,894
Furnitures and fixtures	27,602	-	(3,167)	24,435
Machinery and equipment	14,903	-	(1,549)	13,354
Total capital assets being depreciated	377,940	6,687	(6,399)	378,228
Less accumulated depreciation for:				
Buildings	(23,725)	(4,377)	-	(28,102)
Streetlights installed	(125,019)	(11,272)	1,204	(135,087)
Furniture and fixtures	(22,502)	(885)	2,973	(20,414)
Machinery and equipment	(12,425)	(465)	1,549	(11,341)
Total accumulated depreciation	(183,671)	(16,999)	5,726	(194,944)
Total capital assets being depreciated, net	194,269	(10,312)	(673)	183,284
Governmental activities capital assets, net	\$ 202,372	\$ (10,312)	\$ (3,374)	\$ 188,686

Depreciation of governmental activities by function:

General government	\$ 5,727
Public works	11,272
Total	\$ 16,999

Town of Orchid, Florida
Notes to Financial Statements

NOTE 5: LONG-TERM LIABILITIES

Effective February 24, 2017, the Town obtained a four-year municipal note from the Orchid Island Golf & Beach Community Association, Inc. in the amount of \$350,000 for restoration of dunes damaged by Hurricane Matthew. The note carries an annual interest rate of 1.56% and annual payments are \$87,500.

The following is a summary of long-term liability activity for the year ended September 30, 2019:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
Note payable	\$ 262,500	\$ -	\$ (87,500)	\$ 175,000	\$ 87,500
Compensated absences	5,129	13,430	(8,239)	10,320	10,320
Total Government Activities	\$ 267,629	\$ 13,430	\$ (95,739)	\$ 185,320	\$ 97,820

Annual debt service requirements to maturity for the note payable is as follows:

Fiscal Year	Principal	Interest	Total
Ending			
2020	\$ 87,500	\$ 2,750	\$ 90,250
2021	87,500	1,375	88,875
Total	\$ 175,000	\$ 4,125	\$ 179,125

NOTE 6: RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters, for which the Town carries commercial insurance. The Town also provides employee medical benefits through commercial insurance coverage. There were no claims or reductions in insurance coverage from the prior year. The Town has not experienced settlements in excess of insurance coverage during the past three years.

NOTE 7: COMMITMENTS

Effective February 18, 2005, the Town executed a Combined Voluntary Cooperation and Operational Assistance Mutual Aid Agreement with the Indian River County Sheriff's Office for law enforcement assistance. The agreement does not require payments between the parties for this assistance. On November 16, 2016, this agreement was renewed until January 31, 2021.

NOTE 8: BENEFIT PLANS

Defined Contribution Pension Plan

Effective March 5, 2003, the Town established a defined contribution plan (the "Plan") for the Town Manager in accordance with the Internal Revenue Service Code Section 401(a) and Resolution Number 2003-02. On February 4, 2004 under Resolution Number 2004-02, all full-time employees became eligible for this plan. The Plan members do not contribute to the Plan. The Town's required contribution is seven and one half percent of each plan member's gross salary. Full-time employees are fully vested in the Plan after six months of service. For the fiscal year ended September 30, 2019, the Town contributed \$5,451 to the Plan, in which there are two employees participating. If a participant separates from service and subsequently becomes employed with another unit of a state or local government, then the participant may rollover the benefits into his/her new employer's pension plan providing said plan permits rollovers. Provisions of the Plan may be amended by the Town Council. The Plan is held in a trust for the exclusive benefit of the participants and their beneficiaries, and consequently, the Town has no fiduciary responsibility. The net position of the Plan, therefore, is not included in the Town's financial statements.

NOTE 9: FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued statements that will become effective in 2019. The statements address:

- Majority equity interests; and
- Fiduciary activities.

The Town is currently evaluating the effects that these statements will have on its 2020 financial statements.



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**ADDITIONAL ELEMENTS REQUIRED BY *GOVERNMENT AUDITING*
STANDARDS AND THE RULES OF THE AUDITOR GENERAL**



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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
Members of the Town Council
Town of Orchid, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Town of Orchid, Florida (the "Town"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 2, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cam, Riggs & Ingram, L.L.C.

Melbourne, Florida
January 2, 2020



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INDEPENDENT AUDITORS' MANAGEMENT LETTER

Honorable Mayor and
Members of the Town Council
Town of Orchid, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Orchid, Florida as of and for the fiscal year ended September 30, 2019 and have issued our report thereon dated January 2, 2020.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated January 2, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority for the Town of Orchid, Florida is disclosed in the notes to the financial statements.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate results of our determination as to whether or not the Town of Orchid, Florida met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Town of Orchid, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters

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

Purpose of this Letter

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

Cary Riggs & Ingram, L.L.C.

Melbourne, Florida

January 2, 2020

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES

Honorable Mayor and
Members of the Town Council
Town of Orchid, Florida

We have examined the Town of Orchid, Florida's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2019. Management of the Town of Orchid, Florida is responsible for the Town of Orchid, Florida's compliance with the specified requirements. Our responsibility is to express an opinion on the Town of Orchid, Florida's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town of Orchid, Florida complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Town of Orchid, Florida complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Town of Orchid, Florida's compliance with specified requirements.

In our opinion, the Town of Orchid, Florida complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2019.

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

Carr, Riggs & Ingram, L.L.C.

Melbourne, Florida
January 2, 2020