



Town of Orchid, Florida
FINANCIAL STATEMENTS
Year Ended September 30, 2022





INTRODUCTORY SECTION

Title Page	1
Table of Contents	2
Town Officials	3

FINANCIAL SECTION

Independent Auditors’ Report	5
Management’s Discussion and Analysis	9

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements:	
Statement of Net Position	17
Statement of Activities.....	18
Fund Financial Statements:	
Balance Sheet – Governmental Fund	20
Reconciliation of Fund Balance of Governmental Fund to Net Position of Governmental Activities	21
Statement of Revenues, Expenditures and Change in Fund Balance – Governmental Fund	22
Reconciliation of Net Change in Fund Balance of Governmental Fund to Change in Net Position of Governmental Activities	23
Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual: General Fund	24
Notes to Financial Statements	25

REPORTS ON INTERNAL CONTROL AND COMPLIANCE MATTERS

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	39
Independent Auditors’ Management Letter	41
Independent Accountants’ Report on Compliance with Local Government Investment Policies	43

**Town of Orchid, Florida
Town Officials
As of September 30, 2022**

Robert Gibbons
Mayor

Paul Knapp
Vice-Mayor

Simms Browning
Mary Jane Benedetto
Patti Oertle-Phaneuf
Council Members

Warren W. Dill
Town Attorney

Cherry Stowe
Town Manager

Vyviana Sawley
Town Clerk



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INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Orchid, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, and the major fund of the Town of Orchid, Florida, as of and for the year ended September 30, 2022, and the 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.

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, 2022, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Orchid, Florida and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8-13 and budgetary comparison information on page 24, 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2023, 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 solely 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.

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

Melbourne, Florida

January 17, 2023



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Town of Orchid, Florida
Management's Discussion and Analysis
September 30, 2022

The purpose of the 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, 2022, 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 2022 by \$2,191,730 (net position). Of this amount, \$1,875,861 (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 \$537,179. This increase was caused by several factors. These include the receipt of American Rescue Plan Act funding, unanticipated high revenues in the Town's Building Department (an effect of the national building boom to which Orchid did not prove immune with an unprecedented number of new single-family homes being applied for) and changes in staffing that occurred during the fiscal year causing a saving in executive salaries.
- At the close of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$2,041,708; an increase of \$541,700 from the prior year. Of this total amount, \$1,868,109 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).

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, 2022

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	
	2022	2021
Assets		
Current and other assets	\$ 2,299,859	\$ 1,572,970
Capital assets, net	157,826	159,887
Total assets	2,457,685	1,732,857
Liabilities		
Long-term liabilities outstanding	7,804	5,344
Other liabilities	258,151	72,962
Total liabilities	265,955	78,306
Net position		
Investment in capital assets	157,826	159,887
Restricted	158,043	-
Unrestricted	1,875,861	1,494,664
Total net position	\$ 2,191,730	\$ 1,654,551

Town of Orchid, Florida
Management's Discussion and Analysis
September 30, 2022

As of September 30, 2022, the Town's assets exceeded its liabilities by \$2,191,730. The Town's investment in capital assets as of September 30, 2022 was \$157,826 or 7.20% of net position. With regard to capital assets of the Town, infrastructure assets consist of the streetlights along the roads within the Town. Note 2 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	
	2022	2021
Program revenues:		
Charges for services	\$ 254,764	\$ 184,424
General revenues:		
Property taxes	638,193	824,547
Intergovernmental	164,971	140,826
Interest earnings	16,741	1,008
Other revenue	8,275	13,992
Total revenues	1,082,944	1,164,797
Expenses:		
General government	454,995	535,392
Public works	90,770	88,774
Culture and recreation	-	4,533
Total expenses	545,765	628,699
Change in net position	537,179	536,098
Net position:		
Beginning of year	1,654,551	1,118,453
End of year	\$ 2,191,730	\$ 1,654,551

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 1.9000 in 2021 to 1.4000 in 2022.

Intergovernmental. There was an increase of \$24,145 in the 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, 2022

Charges for Services. Charges for services (licenses and permits) revenue increased \$70,340 from the prior year. The majority of licenses and permits revenue comes from building permit fees. Revenue from building permits, which are issued for new construction, additions, renovations, and demolitions, as well as repairs, replacements and trade work pursuant to the Florida Building Code, increased \$77,070 from prior year – a near doubling – despite amendment to the Town’s permit fee schedule at the start of the fiscal year that resulted in an overall lowering of permit fees. In recognition of the ongoing trends in the construction industry, just prior to the end of the fiscal year, the Town adopted further amendments to the fee schedule to institute another lowering of fees.

Interest Earnings. During fiscal year 2022, the Town’s interest earnings increased \$15,733 from the prior year. In response to tremendous inflation, the Federal Reserve increased interest rates several times during the fiscal year. The Town’s deposited funds earned higher rates of interest. During the fiscal year, the Town opened a second interest-bearing checking account specifically for its allocation of American Rescue Plan Funds. The Town’s funds are readily available and protected under the Florida Security for Public Deposits Act.

Employment and General Government Costs. Overall, general government costs decreased by \$80,397 in fiscal year 2022 compared with fiscal year 2021. From the start of fiscal year 2022 through mid-February, only two of the Town’s three regular staff positions were filled. Although the employee, who performed the duties of the two fulltime positions (Town Manager and Town Clerk) during that time, was compensated for the additional workload, there were savings to the Town in the category of executive salaries. The total difference in this category compared to the prior fiscal year was \$127,705. The Town’s third position is that of the part-time Building Clerk. The Town pays the equivalent of 7.5% of the annual salary into a 401(a) plan and 100% of health insurance premiums of fulltime and enrolled employees. During fiscal year 2022, expenditures for employee insurance benefits and retirement contributions increased, because the employee, who joined the team mid-February, enrolled in both programs, whereas previously one of the two fulltime employees declined the Town’s benefit package. The collective difference between the prior fiscal year and fiscal year 2022 was \$9,503. The cost of protective inspections, which regard the contracted services of a certified Building Official to uphold the provisions of the Florida Building Code in the Town, changed from \$32,155 in the prior fiscal year to \$48,220 in the fiscal year 2022, an increase of \$16,065. These expenses are covered by revenue from building permit fees, which also increased from the prior fiscal year. The increases in this revenue and these expenses are linked by a common cause, namely the building boom that lasted the entire fiscal year 2022 and is still ongoing.

Culture and Recreation. The Town did not have expenditures in this category during fiscal year 2022. The Town’s budget for this category pertains specifically to the protection of the fragile dune system of this small coastal community. The Town had anticipated completing a dune planting project, but ultimately was unable to because of restrictions on such activities during sea turtle nesting season. The project was postponed until after the end of the fiscal year, because this annual protective period of eight months extended beyond fiscal year 2022.

Town of Orchid, Florida
Management's Discussion and Analysis
September 30, 2022

Financial Analysis of the Governmental Fund

Municipal Note Payment. Fiscal year 2022 is the first year, after the four prior years, during which the Town did not have any debt or interest payments toward a municipal note for which the final payment was made during the prior fiscal year.

Program Revenues and Expenditures. Expenditures related to building department activities are included in various operating expenses. In determining program expenditures for building department activities, the Town includes 100% of expenditures for the contract Building Official and the Building Clerk (employee), as well as other miscellaneous direct expenditures, plus indirect cost rates of the various operating expenses. The indirect cost rates were determined through a combination of methods, including 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. During fiscal year 2022, building department revenue (including permit fees, penalties, investment earnings and inspection fees) totaled \$249,739. Building department expenditures, computed as indicated, in fiscal year 2022 were \$182,780, which resulted in the Town carrying over a positive balance of \$80,210 to the next fiscal year. In recognition of the trends in the construction industry, the Town lowered its building permit fees prior to the end of fiscal year 2022.

During fiscal year 2022, the Town Council approved expenditures at Town Hall to update and refresh the facility with new flooring and a fresh coat of interior paint as well as provide improved protection from tropical cyclones with the purchase of easy-to-deploy accordion hurricane shutters. Town Hall was further enhanced with the purchase of a large-scale touchscreen monitor for use by the Building Department. These one-time expenditures amounted to \$18,389 in the current fiscal year.

General Fund Budgetary Highlights

Review of budget to actual numbers for fiscal year 2022 shows that actual revenues exceeded budgeted revenues by \$218,312. The expenses for the fiscal year were \$136,043 under budget. The Town had anticipated in its budget for the fiscal year an excess of \$187,345 revenues over expenditures, but that revenue surplus over expenditures was actually \$541,700.

The additional surplus was largely due the building permit revenue that far exceeded expectations. The only revenue streams that did not meet or exceed the budget were local option fuel tax, franchise fees for solid waste collection and inspection fees. Many of the Town's expenditures were under budget, but most significantly were the lower-than-anticipated expenses of executive salaries and repairs and maintenance.

See the Budgetary Comparison Statement for the General Fund on page 24 for more details.

Town of Orchid, Florida
Management's Discussion and Analysis
September 30, 2022

Capital Assets

The Town's capital assets for its governmental activities as of September 30, 2022 amounted to \$157,826 (net of accumulated depreciation). The Town's expenses in capital assets include mainly a Town Hall facility (building), building improvements, furniture and fixtures, as well as machinery and equipment. Furthermore, the Town operates a network of 109 streetlights.

	Governmental Activities	
	2022	2021
Streetlights, not placed in service	\$ 1,552	\$ 6,306
Buildings	46,312	50,689
Streetlights installed	95,984	99,209
Furniture and fixtures	1,844	2,562
Machinery & equipment	4,510	1,121
Building improvements	7,624	-
Total capital assets, net	\$ 157,826	\$ 159,887

Additional information on the Town's capital assets can be found in Note 2 to the financial statements.

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. The Town has healthy reserves and is well-positioned to handle unexpected financial hurdles. At the end of the fiscal year 2022, the Town was in a position to lower the millage rate for the fiscal year 2023. However, shortly after the final budget hearing, the first of what would be two hurricanes caused tremendous beach erosion, jeopardizing the established dunes in Orchid and requiring consideration of an unanticipated emergency dune repair project by the Town. The Town has prepared through its reserve policy for just such an eventuality.

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, 2022

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,252,227
Accounts receivable	3,419
Due from other governments	28,657
Prepaid items	15,556
Capital assets:	
Nondepreciable:	
Streetlights, not placed in service	1,552
Depreciable, net of accumulated depreciation:	
Buildings	46,312
Streetlights installed	95,984
Building improvements	7,624
Machinery and equipment	4,510
Furniture and fixtures	1,844
Total assets	2,457,685
LIABILITIES	
Accounts payable	28,256
Accrued payroll and related liabilities	2,457
Unearned revenue	227,438
Noncurrent liabilities:	
Due within one year:	
Compensated absences	7,804
Total liabilities	265,955
NET POSITION	
Investment in capital assets	157,826
Restricted for:	
Building code enforcement	80,210
Infrastructure	77,833
Unrestricted	1,875,861
Total net position	\$ 2,191,730

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

Town of Orchid, Florida
Statement of Activities

For the year ended September 30, 2022

Functions/Programs	Expenses	Program Revenues	
		Charges for Services and Fines	Operating Grants and Contributions
General government	\$ 454,995	\$ 254,764	\$ -
Public works	90,770	-	-
Total governmental activities	\$ 545,765	\$ 254,764	\$ -

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
\$	-	\$	(200,231)
	-		(90,770)
\$	-	\$	(291,001)
			638,193
			164,971
			16,741
			8,275
			828,180
			537,179
			1,654,551
		\$	2,191,730

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

**Town of Orchid, Florida
Balance Sheet
Governmental Fund**

September 30, 2022

General Fund

ASSETS

Cash and cash equivalents	\$	2,252,227
Accounts receivable		3,419
Due from other governments		28,657
Prepaid items		15,556
Total assets	\$	2,299,859

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	\$	28,256
Accrued liabilities		2,457
Unearned revenue		227,438
Total liabilities		258,151

Fund balances:

Nonspendable		
Prepaid items		15,556
Restricted for:		
Building code enforcement		80,210
Infrastructure		77,833
Unassigned		
Reserve target balance		1,868,109
Total fund balances		2,041,708
Total liabilities and fund balances	\$	2,299,859

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, 2022

Total fund balance of governmental fund **\$ 2,041,708**

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	1,552
Capital assets being depreciated, net	156,274

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

Accrued compensated absences	(7,804)
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Net position of governmental activities	\$ 2,191,730
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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, 2022

General Fund

Revenues	
Property taxes	\$ 638,193
Intergovernmental	164,971
Licenses and permits	254,764
Interest earnings	16,741
Other revenue	8,275
Total revenues	1,082,944
Expenditures	
Current:	
General government	446,577
Public works	81,424
Capital outlay	13,243
Total expenditures	541,244
Excess of revenues over expenditures	541,700
Fund balances, beginning of year	1,500,008
Fund balances, end of year	\$ 2,041,708

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, 2022

Net change in fund balances - total governmental funds **\$ 541,700**

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	13,243
Depreciation expense	(15,266)

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	(38)
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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	(2,460)
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Change in net position of governmental activities	\$ 537,179
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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, 2022</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 626,741	\$ 626,741	\$ 638,193	\$ 11,452
Intergovernmental	128,021	128,021	164,971	36,950
Licenses and permits	105,130	105,130	254,764	149,634
Interest earnings	540	540	16,741	16,201
Other revenue	4,200	4,200	8,275	4,075
Total revenues	864,632	864,632	1,082,944	218,312
Expenditures				
Current:				
General government	573,787	573,787	446,577	127,210
Public works	83,700	83,700	81,424	2,276
Culture and recreation	10,000	-	-	-
Capital outlay	9,800	19,800	13,243	6,557
Total expenditures	677,287	677,287	541,244	136,043
Excess of revenues over expenditures	187,345	187,345	541,700	354,355
Fund balances, beginning of year	1,500,008	1,500,008	1,500,008	-
Fund balances, end of year	\$ 1,687,353	\$ 1,687,353	\$ 2,041,708	\$ 354,355

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

Town of Orchid, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Reporting Entity

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 (GAAP) as applied to governmental units. The more significant accounting policies used by the Town are described below.

In evaluating the Town as a reporting entity, management has considered all potential component units in accordance with Section 2100: *Defining the Financial Reporting Entity* of the Governmental Accounting Standards Board (GASB) Codification.

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, intergovernmental revenues, and other nonexchange transactions, 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, 2022.

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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources or economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Town of Orchid, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the Town.

Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental fund. Separate financial statements are provided for the governmental fund.

Fund Financial Statements

The fund financial statements provide information about the Town's fund. The emphasis of fund financial statements is on the major governmental fund.

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.

Town of Orchid, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary information

Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. 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. For the fiscal year ended September 30, 2022, there was a budget amendment to reallocate available funding for capital outlay expenditures.
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, 2022.
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.

Assets, Liabilities, and Net Position or Equity

Cash and equivalents

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

Receivables and payables

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."

The Town considers due from other governments to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Town of Orchid, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 general fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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 with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of three years. Streetlights that are not yet placed in service are not depreciated.

As the Town constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation. The cost for sand dune re-nourishment projects are expensed as incurred.

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

Capital asset classes	Lives
Building	20
Streetlights installed	20
Furniture and fixtures	10 - 20
Machinery and equipment	5 - 20
Building improvements	15

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.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The Town's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. Accumulated sick leave lapses when employees leave the employment of the Town and, accordingly upon separation of service, no monetary obligation exists.

Categories and Classification of Fund Equity

Fund balance flow assumption – Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned balance is applied last.

Fund balance policies – Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). 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.

The provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, specifies the following classifications:

Nonspendable fund balance – Nonspendable fund balances are amounts that cannot be spent because they are either (1) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Categories and Classification of Fund Equity (Continued)

Committed fund balance – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town’s highest level of decision-making authority. The governing council is the highest level of decision-making authority for the Town that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance – Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as committed. The governing council has by resolution authorized the finance director to assign the fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise the commitment.

Unassigned fund balance – Unassigned fund balance is the residual classification for the General Fund.

The Town Council determined that an initial reserve target be established in an amount at least sufficient to cover both (a) the current estimated construction cost of a dune replenishment project in response to a major storm event, and (b) 25% of the budgeted expenditures of the fiscal year with respect to which the reserve target is applicable (exclusive of any budgeted dune replenishment project costs and any other significant non-recurring expenditure items). Through the adoption of Resolution 2022-10, the Town established an initial reserve target balance in its unassigned fund balance equal to \$2,000,000. In accordance with the Town of Orchid Fund Balance and Reserve Policy, the Town Council may amend the level of this reserve target as well as the aforementioned methodology in setting the reserve target by subsequent resolution. At September 30, 2022, the amount available for the reserve target was \$1,868,109. The Town intends to utilize the \$227,438 of ARPA grant funds in unearned revenue for dune replacement.

Revenues and Expenditures/Expenses

Program revenues – Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from services, or privileges provided by a given function and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Town of Orchid, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenditures/Expenses (Continued)

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.

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, 2022 was 1.4000 mills (\$1.4000 per \$1,000 of taxable assessed valuation).

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 17, 2023. See Note 6 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued and Implemented Accounting Pronouncements

The Town implemented the following standard during the current year.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving the accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring the recognition of certain lease assets and liabilities for leases that

Town of Orchid, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (Continued)

previously were classified as operating leases and recognized as inflows of resources our outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to uses an underlying asset. There were no impacts from the implementation of this Statement.

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements*, provides guidance on the accounting and financial reporting of subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to use subscription asset, an intangible asset and a corresponding liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 100, *Accounting Changes and Error Corrections*, This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reporting retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error corrections should be presented in the required supplementary information (RSI) and supplementary information (SI). The requirement of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

Town of Orchid, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (Continued)

GASB Statement No. 101, *Compensated Absences*, The objective of this Statement is to better meet the information needs of the financial statement users by updated the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirement of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

The Town is evaluating the requirements of the above statements and the impact on reporting.

Note 2: DETAILED NOTES ON ALL FUNDS

Deposits

At September 30, 2022, the Town's carrying amount of cash deposits was \$2,251,927 and the bank balance was \$2,263,400. In addition, the Town reported petty cash of \$300. As of September 30, 2022, \$250,000 of the Town's bank balance is covered by federal depository insurance (FDIC). 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. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the Town pursuant to Section 280.08, Florida Statutes.

Custodial credit risk – Custodial credit risk for deposits is the risk in the event of the failure of a depository financial institution a government may not be able to recover deposits. Monies placed on deposit with financial institutions in the form of demand deposits, time deposits or certificate deposits are defined as public deposits. The financial institutions in which the Town places its deposits are certified as "qualified public depositories," as required under the Florida Security for Public Deposits Act.

Accounts Receivable

All account receivables are shown net of allowances for uncollectible accounts for governmental funds. The accounts receivable and allowance for uncollectible accounts at September 30, 2022, were as follows:

Town of Orchid, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Accounts Receivable (Continued)

	Accounts Receivable	Allowance for Uncollectible	Net
General Fund	\$ 3,419	\$ -	\$ 3,419
Total	\$ 3,419	\$ -	\$ 3,419

Property taxes are considered fully collected (96% of the levy) during and prior to the end of the fiscal year. Therefore, no material amounts of property taxes are receivable as of September 30, 2022. There are no other reserves for receivables recorded by the Town as of September 30, 2022.

Capital Assets

The following is a summary of changes in capital assets during the year ended September 30, 2022.

	Beginning Balance	Additions / Transfers	Disposals / Tranfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Streetlights, not placed in service	\$ 6,306	\$ -	\$ (4,754)	\$ 1,552
Total capital assets, not being depreciated	6,306	-	(4,754)	1,552
Capital assets, being depreciated:				
Buildings	87,545	-	-	87,545
Streetlights installed	235,945	6,083	(995)	241,033
Furniture and fixtures	24,435	-	-	24,435
Machinery and equipment	7,677	4,049	(2,684)	9,042
Building improvements	-	7,865	-	7,865
Total capital assets being depreciated	355,602	17,997	(3,679)	369,920
Less accumulated depreciation for:				
Buildings	(36,856)	(4,377)	-	(41,233)
Streetlights installed	(136,736)	(9,308)	995	(145,049)
Furniture and fixtures	(21,873)	(718)	-	(22,591)
Machinery and equipment	(6,556)	(622)	2,646	(4,532)
Building improvements	-	(241)	-	(241)
Total accumulated depreciation	(202,021)	(15,266)	3,641	(213,646)
Total capital assets being depreciated, net	153,581	2,731	(38)	156,274
Governmental activities capital assets, net	\$ 159,887	\$ 2,731	\$ (4,792)	\$ 157,826

Town of Orchid, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

Depreciation expense was allocated to the governmental functions in the statement of activities as follows:

<i>For the year ended September 30,</i>	<i>2022</i>
Governmental activities	
General government	\$ 5,958
Public Works	9,308
Total depreciation expense - governmental activities	\$ 15,266

Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2022 was as follows for governmental activities:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
Compensated absences	\$ 5,344	\$ 9,752	\$ (7,292)	\$ 7,804	\$ 7,804
Total Government Activities	\$ 5,344	\$ 9,752	\$ (7,292)	\$ 7,804	\$ 7,804

Compensated absences will be liquidated in future periods primarily by the General Fund for governmental activities.

Note 3: RETIREMENT PLAN

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. For the fiscal year ended September 30, 2022, the Town contributed \$9,683 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 4: 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 5: 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 through January 31, 2025. The agreement does not require payments between the parties for this assistance.

Note 6: SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after September 30, 2022 through January 17, 2023, the date the current year's financial statements were available to be issued. The following event occurred:

On December 7, 2022, Town Council awarded a contract for emergency dune repair which was damaged during Hurricanes Ian and Nicole in September and November, respectively. The agreement was executed on January 3, 2023 in the amount of \$613,455. The project began in January 2023 and is scheduled to be completed by February 28, 2023.



**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, 2022, 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 17, 2023.

Report on 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) as a basis for designing 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. 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.

Report on 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 financial statements. 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.

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

Melbourne, Florida

January 17, 2023

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, 2022 and have issued our report thereon dated January 17, 2023.

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 17, 2023, 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. There were no 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. There are no component units of the Town.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the 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 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.

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

Melbourne, Florida
January 17, 2023



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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, 2022. 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, 2022.

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 17, 2023