

TOWN OF OCEAN BREEZE, FLORIDA

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT THEREON

FISCAL YEAR ENDED SEPTEMBER 30, 2023

TOWN OF OCEAN BREEZE, FLORIDA
SEPTEMBER 30, 2023

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INDEPENDENT AUDITOR'S REPORT

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The Honorable Mayor and Members of the Town Council
Town of Ocean Breeze, Florida
Jensen Beach, 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 Ocean Breeze, Florida, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Ocean Breeze, 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 Ocean Breeze, Florida, as of September 30, 2023, and the respective changes in financial position and the respective budgetary comparison for the General Fund 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 Ocean Breeze, 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 the 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 Ocean Breeze, 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.

Auditor's 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 Ocean Breeze, 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 about the Town of Ocean Breeze, 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 4 through 7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2024, on our consideration of the Town of Ocean Breeze, 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 Ocean Breeze, 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 Town of Ocean Breeze, Florida's internal control over financial reporting and compliance.

Nowlen, Holt & Mimer, P.A.

West Palm Beach, Florida
June 18, 2024

Town of Ocean Breeze, Florida

Management's Discussion and Analysis

September 30, 2023

As management of the Town of Ocean Breeze, Florida (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2023. The information contained in the Management's Discussion and Analysis is intended to highlight significant transactions, events and conditions and should be considered in conjunction with the Basic Financial Statements.

Financial Highlights

- The assets of the Town exceeded its liabilities at September 30, 2023 by \$514,160 (net position). Of this amount, \$388,278 (unrestricted net position) may be used to meet the Town's ongoing obligations.
- The Town's operations decreased net position by \$100,215.
- Governmental fund balances decreased by \$97,026 or 16.1 percent.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of 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, in a manner similar to a private-sector business. The statement of net position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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 fund financial statements consist of the balance sheet of the governmental funds as well as the statement of revenues, expenditures and changes in fund balance of the governmental funds. The 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.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Town of Ocean Breeze
Statement of Net Position – Governmental Activities
September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current and other assets	\$ 507,170	\$ 611,455
Noncurrent assets	<u>69,123</u>	<u>22,671</u>
Total assets	<u>576,293</u>	<u>634,126</u>
LIABILITIES		
Current liabilities	16,177	8,570
Noncurrent liabilities	<u>45,956</u>	<u>11,181</u>
Total liabilities	<u>62,133</u>	<u>19,751</u>
NET POSITION		
Invested in capital assets	8,301	11,490
Restricted	117,581	131,845
Unrestricted	<u>388,278</u>	<u>471,040</u>
	<u>\$ 514,160</u>	<u>\$ 614,375</u>

Town of Ocean Breeze
Changes in Net Position – Governmental Activities
September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
REVENUES:		
Program revenues		
Charges for services	\$ 36,302	\$ 37,789
General revenues		
Property taxes	63,909	64,211
Other general revenue	107,210	93,319
Investment earnings	<u>23,328</u>	<u>4,137</u>
Total revenues	<u>230,749</u>	<u>199,456</u>
EXPENSES:		
Program expenses		
General government	221,486	226,440
Public safety	94,112	45,863
Transportation	13,550	6,092
Interest on long-term liabilities	<u>1,816</u>	<u>684</u>
Total expenses	<u>330,964</u>	<u>279,079</u>
Increase/(Decrease) in net position	(100,215)	(79,623)
Net position, beginning	<u>614,375</u>	<u>693,998</u>
Net position, ending	<u>\$ 514,160</u>	<u>\$ 614,375</u>

Governmental Activities

The Town's net position decreased by \$100,215 for 2023. Total revenues increased by \$31,293 while expenses increased by \$51,885 from the prior year which is mainly attributed to the following:

- \$48,249 increase in public safety for additional compliance expenses related to resolving the issues with the Seawalk PUD.
- \$7,458 increase in transportation.

Governmental Funds

The purpose of the Town's governmental fund financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. At September 30, 2023, the Town's Governmental Funds reported ending fund balance of \$505,859, which was a \$97,026 decrease in comparison to the prior year. Of this amount, \$257,173 or 50.8 percent is unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is non-spendable (\$25,838), restricted (\$117,581) or assigned for specific purposes (\$105,267).

Budgetary Highlights

The General Fund exceeded budget expectations by \$50,181. The General Fund expenditures exceeded appropriations by \$34,984 while revenue and other financing sources exceeded expectations by \$85,165.

Capital Assets and Debt

Capital assets: The Town's investment in capital assets for its governmental activities at September 30, 2023, amounts to \$68,173 (net of accumulated depreciation and amortization).

Town of Ocean Breeze
Capital Assets
(net of depreciation and amortization)

	<u>2023</u>	<u>2022</u>
Lease asset - buildings	\$ 54,421	\$ 3,591
Lease asset - equipment	4,185	6,828
Improvements and equipment	<u>9,567</u>	<u>12,252</u>
Total capital assets	<u>\$ 68,173</u>	<u>\$ 22,671</u>

Debt. The Town has no debt outstanding at September 30, 2023 except for a lease liability with a balance of \$59,872.

Economic Factors and Next Year's Budgets and Rates

For fiscal year 2024, the Town Council adopted a General Fund budget of \$318,105 representing a \$19,375 increase from the adopted budget for fiscal year 2023.

The Town saw a 40.4 percent increase in the property tax base as the Seawalk homes have been completed. Property taxes represent approximately 20 percent of the 2024 budgeted operating revenues of the Town. The balance of revenues comes from intergovernmental revenues, licenses, and permits.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances and to demonstrate the Town's accountability. Questions concerning information provided in this report or requests for additional financial information should be directed to the Town Clerk at the Town of Ocean Breeze, Florida, PO Box 1025, Jensen Beach, Florida 34958 or telephone (772) 334-6826.

TOWN OF OCEAN BREEZE, FLORIDA
Statement of Net Position
September 30, 2023

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and equivalents	\$ 477,781
Due from other governments	4,502
Prepays	24,887
Total current assets	<u>507,170</u>
Noncurrent assets	
Deposits	950
Capital assets	
Right to use lease assets	86,630
Accumulated amortization	(28,024)
Improvements and equipment	28,023
Accumulated depreciation	(18,456)
Total noncurrent assets	<u>69,123</u>
Total assets	<u>576,293</u>
LIABILITIES	
Current liabilities	
Accounts payable	1,692
Accrued liabilities	420
Due to other governments	149
Noncurrent liabilities	
Due within one year	13,916
Due in more than one year	45,956
Total liabilities	<u>62,133</u>
NET POSITION	
Investment in capital assets	8,301
Restricted for transportation	117,581
Unrestricted	388,278
Total net position	<u><u>\$ 514,160</u></u>

See notes to the financial statements

TOWN OF OCEAN BREEZE, FLORIDA
Statement of Activities
For the Year Ended September 30, 2023

Function / Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities					
General government	\$ 221,486	\$ 36,302	\$	\$	\$ (185,184)
Public safety	94,112				(94,112)
Transportation	13,550				(13,550)
Interest on long-term liabilities	1,816				(1,816)
Total governmental activities	<u>\$ 330,964</u>	<u>\$ 36,302</u>	<u>\$</u>	<u>\$</u>	<u>(294,662)</u>
General revenues					
Ad valorem taxes					63,909
Communications services taxes					3,859
State revenue sharing					18,075
Mobile home tags					2,627
1/2 Cent sales tax					48,665
Fuel taxes					4,534
Local option taxes					29,450
Investment earnings - unrestricted					23,328
Total general revenues					<u>194,447</u>
Change in net position					(100,215)
Net position, beginning of year					<u>614,375</u>
Net position, end of year					<u>\$ 514,160</u>

See notes to the financial statements

TOWN OF OCEAN BREEZE, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2023

	General Fund
ASSETS	
Cash and cash equivalents	\$ 477,781
Due from other governments	4,502
Prepaid expenses	24,887
Deposits	950
Total assets	<u>\$ 508,120</u>
LIABILITIES	
Accounts payable	\$ 1,692
Accrued liabilities	420
Due to other governments	149
Total liabilities	<u>2,261</u>
FUND BALANCES	
Nonspendable	25,838
Restricted for transportation	117,581
Assigned to subsequent year's budget	105,267
Unassigned	257,173
Total fund balances	<u>505,859</u>
Total liabilities and fund balances	<u>\$ 508,120</u>

See notes to the financial statements

TOWN OF OCEAN BREEZE, FLORIDA
Reconciliation of the Balance Sheet – Governmental Funds
to the Statement of Net Position
September 30, 2023

Fund balances total governmental funds	\$ 505,859
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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 governmental funds.

Governmental capital assets	114,653
Less accumulated depreciation and amortization	(46,480)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Lease liability	<u>(59,872)</u>
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Net position of governmental activities	<u><u>\$ 514,160</u></u>
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See notes to the financial statements

TOWN OF OCEAN BREEZE, FLORIDA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2023

	General Fund
REVENUES	
Ad valorem taxes	\$ 63,909
Licenses and permits	33,344
Intergovernmental revenues	110,000
Charges for services	168
Investment Earnings	23,328
Total revenues	<u>230,749</u>
EXPENDITURES	
Current	
General government	205,599
Public safety	94,112
Transportation	12,145
Capital outlay	62,794
Debt service:	
Principal - leases	14,103
Interest - leases	1,816
Total expenditures	<u>390,569</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(159,820)</u>
Other financing sources (uses)	
Issuance of debt - leases	62,794
Total other financing sources (uses)	<u>62,794</u>
Net change in fund balances	(97,026)
Fund balances, beginning of year	602,885
Fund balances, end of year	<u><u>\$ 505,859</u></u>

See notes to the financial statements

TOWN OF OCEAN BREEZE, FLORIDA
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of the Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2023

Net change in fund balances - total governmental funds	\$ (97,026)
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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 capital assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets	62,794
Less: current year depreciation and amortization	(17,292)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.

Issuance of debt - leases	(62,794)
Principal payments on long-term lease liabilities	<u>14,103</u>

Change in net position	<u><u>\$ (100,215)</u></u>
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See notes to the financial statements

TOWN OF OCEAN BREEZE, FLORIDA
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended September 30, 2023

	Original Adopted Budget	Final Revised Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Ad valorem taxes	\$ 63,798	\$ 63,798	\$ 63,909	\$ 111
Licenses and permits	15,400	32,400	33,344	944
Intergovernmental revenues	88,030	89,480	110,000	20,520
Charges for services	1,000	1,000	168	(832)
Investment Earnings	700	21,700	23,328	1,628
Total revenues	<u>168,928</u>	<u>208,378</u>	<u>230,749</u>	<u>22,371</u>
Expenditures				
Current				
General Government	235,530	253,035	205,599	47,436
Public Safety	58,200	87,550	94,112	(6,562)
Transportation	5,000	15,000	12,145	2,855
Capital Outlay			62,794	(62,794)
Debt service:				
Principal - leases			14,103	(14,103)
Interest - leases			1,816	(1,816)
Total expenditures	<u>298,730</u>	<u>355,585</u>	<u>390,569</u>	<u>(34,984)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(129,802)</u>	<u>(147,207)</u>	<u>(159,820)</u>	<u>(12,613)</u>
Other financing sources (uses)				
Issuance of debt - leases			62,794	62,794
Net change in fund balances	<u>\$ (129,802)</u>	<u>\$ (147,207)</u>	<u>(97,026)</u>	<u>\$ 50,181</u>
Fund balance, beginning of year			<u>602,885</u>	
Fund balance, end of year			<u>\$ 505,859</u>	

See notes to the financial statements

TOWN OF OCEAN BREEZE, FLORIDA
Notes to the Financial Statements
September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Ocean Breeze, Florida (the “Town”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Town’s significant accounting policies are described below.

Reporting Entity

The Town of Ocean Breeze, Florida is a municipal corporation organized in 1960 under the authority of Chapter 165, Florida Statutes. The town has a mayor-council form of government and operates under a charter that was amended in 1991. The fiscal year of the Town is from October 1 to September 30, as established pursuant to section 166.241(2), Florida Statutes. The governing body of the Town is the Town Council which is comprised of a maximum of six council members elected at large.

As required by generally accepted accounting principles, these financial statements include the Town (the primary government) and its component units. Component units are legally separate entities for which the Town is financially accountable. The Town is financially accountable if:

- a) the Town appoints a voting majority of the organization’s governing board and (1) the Town is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town, or
- b) the organization is fiscally dependent on the Town and (1) there is a potential for the organization to provide specific financial benefits to the Town or (2) impose specific financial burdens on the Town.

Organizations for which the Town is not financially accountable are also included when doing so is necessary in order to prevent the Town’s financial statements from being misleading.

Based upon application of the above criteria, management of the Town has determined that no component units exist which would require inclusion in this report. Further, the Town is not aware of any entity that would consider the Town to be a component unit.

TOWN OF OCEAN BREEZE, FLORIDA
Notes to the Financial Statements
September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. The Town does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements

The underlying accounting system of the Town is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenue and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements are provided for governmental funds. Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenue, Expenditures and Changes in Fund Balance. The Town has no fund types other than governmental funds. Major individual governmental funds are reported in separate columns in the fund financial statements.

The Town reports the General Fund as a major governmental fund. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

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 needed.

TOWN OF OCEAN BREEZE, FLORIDA
Notes to the Financial Statements
September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. The Town does not accrue property tax revenues since the collection of these taxes coincides with the fiscal year in which levied, and since the Town consistently has no material uncollected property taxes at year end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Amounts paid to acquire capital assets are capitalized as assets, rather than reported as capital expenditures.

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 afterwards to pay liabilities of the current period. The Town considers revenues collected within 60 days of the year end to be available to pay liabilities of the current period. Charges for services, intergovernmental shared revenues, licenses, business taxes, 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. Revenues for expenditure driven grants are recognized when the qualifying expenditures are incurred. All other revenue items are considered to be measurable and available only when cash is received by the Town. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. Amounts expended to acquire capital assets are recorded as expenditures in the year that resources are expended, rather than as fund assets.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

TOWN OF OCEAN BREEZE, FLORIDA
Notes to the Financial Statements
September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include amounts on deposit in demand accounts. The Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of fair value measurement in both cases is the same, that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. The Town categorizes investments reported at fair value in accordance with the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*.

Accounts Receivable

Accounts receivable of the General Fund consists of billed receivables. The Town has not established an allowance for doubtful accounts because the Town considers all receivables to be collectible.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. In the governmental funds, prepaid items are recorded using the consumption method and are offset by the nonspendable fund balance component which indicates they do not constitute available spendable resources, even though they are a component of current assets.

Capital Assets

Capital assets are defined by the Town as assets with an estimated useful life in excess of one year and a value at the date of acquisition in excess of \$5,000. Capital assets are reported in the government-wide Statement of Net Position and include improvements and equipment. Purchased capital assets are recorded at cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

TOWN OF OCEAN BREEZE, FLORIDA
Notes to the Financial Statements
September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Depreciation is computed using the straight-line method over the estimated useful lives for all reported capital assets, except land and construction in progress. The estimated useful lives range from four (4) to forty (40) years.

Leases

Lease contracts that provide the Town with control of a non-financial asset, such as land, buildings, or equipment, for a period of time in excess of twelve months are reported as an intangible right to use lease asset with a related lease liability. The lease liability is recorded at the present value of future lease payments, including fixed payments, variable payments based on an index or fixed rate and reasonably certain residual guarantees. The intangible right to use leased asset is recorded for the same amount as the related lease liability plus any prepayments and initial direct costs to place the asset in service. Leased assets are amortized over the shorter of the useful life of the asset or the lease term. The lease liability is reduced for lease payments made, less the interest portion of the lease payment.

Lease contracts that provide an external entity with control of the Town's non-financial asset, such as land, buildings, or equipment, for a period of time in excess of twelve months are reported as a leased receivable with a related lease deferred inflow of resources. The lease receivable is recorded at the present value of future lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. The lease deferred inflow of resources is recorded for the same amount as the related lease receivable less any lease incentives. Leased deferred inflow of resources are amortized over the lease term. The lease receivable is reduced for lease payments made, less the interest portion of the lease payment.

Unearned Revenue

The government reports unearned revenue on its government wide Statement of Net Position and governmental funds balance sheet. Unearned revenue arises when resources are obtained prior to revenue recognition. In subsequent periods, when revenue recognition criteria are met the unearned revenue is removed and revenue is recognized.

Unavailable Revenue

The government reports unavailable revenue on its governmental funds balance sheet for resource inflows that do not qualify for recognition as revenue in a governmental fund because they are not yet considered available.

TOWN OF OCEAN BREEZE, FLORIDA
Notes to the Financial Statements
September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows of Resources

The government-wide Statement of Net Position and the Governmental Funds Balance Sheet will sometimes include a separate section for deferred outflows of resources. This financial statement element represents a consumption of net assets applicable to future periods and will not be recognized as expenditures until the future period(s). The Town does not currently have any deferred outflows of resources.

Deferred Inflows of Resources

The government-wide Statement of Net Position and the Governmental Funds Balance Sheet will sometimes include a separate section for deferred inflows of resources. This financial statement element represents the acquisition of net assets applicable to future periods and will not be recognized as revenue until the future period(s). The Town does not currently have any deferred inflows of resources.

Interfund Transactions

Transactions between funds consist of loans, services provided, reimbursements, or transfers. Interfund loans are reported as Due From Other Funds and Due To Other Funds as appropriate and are subject to elimination in the government-wide financial statements. Services deemed to be reasonably equivalent in value are treated as revenues and expenditures. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost. All other interfund transactions are presented as transfers.

Fund Balances

In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balance is reported under the following categories:

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

TOWN OF OCEAN BREEZE, FLORIDA
Notes to the Financial Statements
September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances (Continued)

balance. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

2. Restricted fund balance – Includes amounts that are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
3. Committed fund balance – Includes amounts that can be used only for specific purposes pursuant to constraints imposed by an ordinance, the Town's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action employed to previously commit those amounts.
4. Assigned fund balance – Includes amounts intended to be used by the Town for specific purposes, but are neither restricted nor committed. In accordance with the Town's fund balance policy, assignments may be made by formal action of the Town Council.
5. Unassigned fund balance – Includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the Town's policy to reduce restricted amounts first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the Town's policy to reduce committed amounts first, followed by assigned amounts, then unassigned amounts.

Net Position

Net position is the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets plus deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net position is displayed in the following three components:

TOWN OF OCEAN BREEZE, FLORIDA
Notes to the Financial Statements
September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position (Continued)

1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position – Consists of net position with constraints placed on the use either by: (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
3. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “investment in capital assets.”

Budgetary Data

Formal budgetary integration is employed as a management control device during the year for the General Fund. All budgets are legally enacted. Budgets are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by appropriate action.

Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal, and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State regulating tax assessment are also designed to assure a consistent property valuation method statewide.

The tax levy of the Town is established by the Town Council prior to October 1 of each year, and the Martin County Property Appraiser incorporates the Town's millage into the total tax levy, which includes Martin County and Martin County School Board tax requirements. The millage rate assessed by the Town for the year ended September 30, 2023, was 1.0000 (\$1.0000 for each \$1,000 of assessed valuation), which does not include the Fire Rescue Municipal Services Taxing Unit (“MSTU”) millage rate of 2.6325.

All property is reassessed according to its fair market value January 1 of each year, which is also the lien date. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all the appropriate requirements of state statutes.

TOWN OF OCEAN BREEZE, FLORIDA
Notes to the Financial Statements
September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes (Continued)

All taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January and 1% in the month of February. The taxes paid in March are without discount.

Delinquent taxes on real property bear interest of 18% per year. On or prior, to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. After the sale, tax certificates bear interest of 18% per year or any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Delinquent taxes on personal property bear interest of 18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations.

Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, the use and recoverability of inventory, and useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Implementation of Accounting Pronouncements

The Town implemented the following Governmental Accounting Standards Board Statements during the current fiscal year.

GASB issued Statement No. 91, *Conduit Debt Obligation*. This Statement will provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. Implementation of this Statement did not impact the Town's financial statements.

GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement will improve financial reporting by establishing the definitions of public-private and public-public partnership arrangements (PPPs) and availability

TOWN OF OCEAN BREEZE, FLORIDA
Notes to the Financial Statements
September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of Accounting Pronouncements (Continued)

payment arrangements (APAs) and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. Implementation of this Statement did not impact the Town's financial statements.

GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). Implementation of this Statement did not impact the Town's financial statements.

GASB Statement No. 99, *Omnibus 2022*. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to more easily locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements. The requirements related to leases, public-private and public-public partnerships, and subscription-based information technology arrangements were implemented during the current year. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years ending September 30, 2024. Implementation of this Statement did not impact the Town's financial statements.

Recently Issued Accounting Pronouncements

A brief description of new accounting pronouncements that might have a significant impact on the Town's financial statements is presented below. Management is currently evaluating the impact of adoption of these statements in the Town's financial statements.

GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. The requirements of this Statement are effective for accounting changes and error corrections made in the fiscal year ending September 30, 2024.

TOWN OF OCEAN BREEZE, FLORIDA
Notes to the Financial Statements
September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

GASB issued Statement No. 101, *Compensated Absences*. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences. The requirements of this Statement are effective for fiscal years ending September 30, 2025.

GASB issued Statement No. 102, *Certain Risk Disclosures*. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition. The requirements of this Statement are effective for fiscal years ending September 30, 2025.

NOTE 2 – BUDGETARY INFORMATION

Budget Policy and Practice

Budgets are prepared in accordance with the Town Charter and the Florida Budget Act. The budget is presented to the Town Council for review, and public hearings are held to address priorities and the allocation of resources. In September, the Town Council adopts the annual fiscal year appropriated budgets for the Town funds. Once approved, the Town Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Basis of Budgeting

The General Fund's appropriated budget legal level of budgetary control is at the fund level. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to final review by the Town Council. The budget for the General Fund is prepared on the basis of generally accepted accounting principles in the United States of America. The budget and actual financial statements are also reported on this basis. All budgeted appropriations lapse at fiscal year-end. The General Fund expenditures exceeded appropriations by \$34,984 primarily due to expenditures incurred related to the office lease under GASB 87.

TOWN OF OCEAN BREEZE, FLORIDA
Notes to the Financial Statements
September 30, 2023

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

Deposits are either covered by insurance provided by the Federal Depository Insurance Corporation or are held in banking institutions approved by the Treasurer of the State of Florida. Under Florida Statutes, Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or other banking institution eligible collateral. In the event of failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. The Town's deposits at year end are considered insured for custodial credit risk purposes. As of September 30, 2023, the bank balance of the Town's deposits was \$33,635 while the carrying amount was \$16,106. The Town also had \$400 in petty cash for a total carrying amount of \$16,506.

Investments

The Town has not adopted a written investment policy. Florida Statutes authorize units of local government electing not to adopt a written investment policy to invest in the following instruments:

- a. The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969.
- b. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- c. Interest-bearing time deposits or savings accounts in qualified public depositories.
- d. Direct obligations of the U.S. Treasury.

At September 30, 2023, the Town held investments of \$461,275 in the Florida Cooperative Liquid Assets Securities System (FLCLASS) which is administered by the Public Trust Advisors. The investment in FLCLASS does not meet the requirements of GASB Statement No. 79 and is exempt from reporting under the fair value hierarchy requirements of GASB Statement No. 72. FLCLASS is measured at net asset value (NAV) and reported as fair value in accordance with GASB Statement No. 31. FLCLASS has no unfunded commitments and provides same day or next day redemption. The investment in FLCLASS is reported as cash and cash equivalents for financial statement purposes.

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Town's investment policies limit its investments to high quality investments to control credit risk. FLCLASS was rated AAAM by S&P Global Ratings at September 30, 2023.

TOWN OF OCEAN BREEZE, FLORIDA
Notes to the Financial Statements
September 30, 2023

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The dollar weighted average days maturity (WAM) of FLCLASS at September 30, 2023, was 43 days.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments that are in the possession of an outside party. At September 30, 2023, all the Town's deposits were insured or collateralized. The investment in the FLCLASS is not insured by FDIC or any other governmental agency.

NOTE 4 – CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets being depreciated and amortized				
Lease asset – buildings	\$ 14,365	\$ 62,794	\$	\$ 77,159
Lease asset – equipment	9,471			9,471
Improvements and equipment	28,023			28,023
Total capital assets being depreciated and amortized	51,859	62,794		114,653
Less accumulated depreciation and amortization				
Lease asset – buildings	(10,774)	(11,964)		(22,738)
Lease asset – equipment	(2,643)	(2,643)		(5,286)
Improvements and equipment	(15,771)	(2,685)		(18,456)
Total accumulated depreciation and amortization	(29,188)	(17,292)		(46,480)
Capital assets, net	\$ 22,671	\$ 45,502	\$	\$ 68,173

TOWN OF OCEAN BREEZE, FLORIDA
Notes to the Financial Statements
September 30, 2023

NOTE 4 – CAPITAL ASSETS (Continued)

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

Governmental activities:

General government	\$ 15,887
Transportation	<u>1,405</u>
	<u>\$ 17,292</u>

NOTE 5 – NONCURRENT LIABILITIES

The following is a summary of changes in the Town's noncurrent liabilities for the year ended September 30, 2023:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Lease liability	\$ 11,181	\$ 62,794	\$ (14,103)	\$ 59,872	\$ 13,916

NOTE 6 – LEASES

Right to Use Lease – Office Space

The Town entered into an office space lease for a term of five years and five months, commencing on August 15, 2017 and ending January 31, 2023. The Town will occupy the premises rent free from August 15, 2017 to January 31, 2018, with payments commencing in February 2018. The lease had a base monthly payment of \$950 with annual increases of 3% culminating in a monthly payment of \$1,069 for the period ending January 31, 2023. The lease agreement entered into on August 15, 2017 did not include an option to extend the lease. The discount rate was 4% using the Town's estimated incremental borrowing rate. The Town entered into a lease extension agreement for an additional period of five years commencing on February 1, 2023 and terminating on January 31, 2028. The lease extension agreement was entered into on November 7, 2022. The lease extension has a base monthly payment of \$1,101 with annual increases of 3% culminating in a monthly payment of \$1,240 for the period ending January 31, 2028. The lease agreement entered into on November 7, 2022 did not include an option to extend the lease. The discount rate for the lease extension was 4.5% using the Town's estimated incremental borrowing rate.

TOWN OF OCEAN BREEZE, FLORIDA
Notes to the Financial Statements
September 30, 2023

NOTE 6 – LEASES (Continued)

Right to Use Lease – Copier

The Town entered into a copier lease for a term of 60 months commencing in May 2022 and ending in April 2025 with a monthly rental payment of \$236. The discount rate was 4% using the Town's estimated incremental borrowing rate.

Annual lease requirements are as follows:

Year Ended September 30	Principal	Interest	Total
2024	\$ 13,916	\$ 2,396	\$ 16,312
2025	13,766	1,770	15,536
2026	13,119	1,182	14,301
2027	14,159	571	14,730
2028	4,912	46	4,958
	\$ 59,872	\$ 5,965	\$ 65,837

NOTE 7 – INTERLOCAL AGREEMENTS

Right of Way Maintenance Agreement

In 2012, the Town entered into an Interlocal Agreement with Martin County for the purpose of assigning each party its responsibilities for the design, permitting, and construction of certain traffic improvements along NE Indian River Drive, which is a County road within Town limits. In July 2016, the agreement was amended to incorporate stormwater management and treatment components to the traffic calming project. The Project includes enhanced landscaping and irrigation, a stormwater treatment facility with a bioswale, decorative lighting and textured pavement. All maintenance, repair, and replacement of the aforementioned enhanced landscape improvements and the bioswale shall be the sole responsibility of the Town. All maintenance, repair, and replacement of the irrigation system shall be the sole responsibility of the Town, including, but not limited to, ensuring that the irrigation system is kept in proper working order. All aesthetic maintenance of the roadway textured pavement shall be the sole responsibility of the Town. Should the Town be unable or unwilling to complete the required maintenance work, the County may complete or contract to have such maintenance performed and bill the Town for all costs incurred. The County agrees to provide written notice of its intent to perform such maintenance at least five days in advance of performing the work.

TOWN OF OCEAN BREEZE, FLORIDA
Notes to the Financial Statements
September 30, 2023

NOTE 7 – INTERLOCAL AGREEMENTS (Continued)

Fire Protection and Emergency Medical Services

The Town has opted into the Martin County’s Fire-Rescue Municipal Services Taxing Unit (“MSTU”) for the provision of fire rescue, fire protection, and related services from the County commencing on October 1, 2019. The tax for the MSTU is included in the maximum 10 mills the Town is legally allowed to assess. On September 30, 2023, the MSTU millage rate was 2.6325.

NOTE 8 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which the Town carries commercial insurance. Retention of risks is limited to those risks that are uninsurable and deductibles. The Town has not significantly reduced insurance coverage from the prior year, and there were no settled claims which exceeded insurance coverage during the past three fiscal years.

Florida Statutes limit the Town’s maximum loss for most liability claims to \$200,000 per person and \$300,000 per occurrence under the Doctrine of Sovereign Immunity. However, under certain circumstances, a plaintiff can seek to recover damages in excess of statutory limits by introducing a claims bill to the Florida Legislature. The limits addressed in Florida Statutes do not apply to claims filed in Federal courts.

The Town is involved in various litigation and claims arising in the ordinary course of operations, the ultimate outcomes of which cannot be presently determined. It is the opinion of management, in consultation with legal counsel, that any final settlement in these matters will not result in a material adverse effect on the financial position of the Town.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 18, 2024 and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.



NOWLEN, HOLT & MINER, P.A.

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INDEPENDENT AUDITOR'S 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*

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The Honorable Mayor and Members of the Town Council
Town of Ocean Breeze, Florida
Jensen Beach, 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 Ocean Breeze, Florida, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Ocean Breeze's basic financial statements and have issued our report thereon dated June 18, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Ocean Breeze, Florida'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 of Ocean Breeze, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Ocean Breeze, Florida'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Ocean Breeze, Florida'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 entity'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.

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
June 18, 2024



NOWLEN, HOLT & MINER, P.A.

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MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

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To the Honorable Mayor and Member of the Town Council
Town of Ocean Breeze, Florida
Jensen Beach, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Ocean Breeze, Florida, as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated June 18, 2024.

Auditor's 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 Auditor's 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 Accountant's 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 June 18, 2024, 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. No findings and recommendations were made in the preceding financial audit 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. This information was disclosed in Note 1 to the financial statements. There are no component units included in the Town of Ocean Breeze, Florida's financial statements.

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 Ocean Breeze, 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 Ocean Breeze, 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 Ocean Breeze, Florida. It is management's responsibility to monitor the Town of Ocean Breeze, 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. Our assessment was done as of the fiscal year end. The results of our procedures did not disclose any matters that are required to be reported.

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.

Special District Component Units

Section 10.554(1)(i)5.c, Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

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.

Single Audits

The Town of Ocean Breeze, Florida expended less than \$750,000 of federal awards and less than \$750,000 of state financial assistance for the fiscal year ended September 30, 2023 and was not required to have a federal single audit or a state single audit.

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 the 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.

Nowlen, Holt & Mimer, P.A.

West Palm Beach, Florida
June 18, 2024



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

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The Honorable Mayor and Members of the Town Council
Town of Ocean Breeze, Florida
Jensen Beach, Florida

We have examined the Town of Ocean Breeze, Florida's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2023. Management of the Town of Ocean Breeze, Florida is responsible for the Town of Ocean Breeze, Florida's compliance with the specified requirements. Our responsibility is to express an opinion on the Town of Ocean Breeze, Florida's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town of Ocean Breeze, 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 Ocean Breeze, Florida complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement

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

In our opinion, the Town of Ocean Breeze, Florida complied, in all material respects, with Section 218.415, Florida Statutes for the year ended September 30, 2023.

This report 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, applicable management, and the Town Council, and is not intended to be and should not be used by anyone other than these specified parties.

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
June 18, 2024