



TOWN OF OCEAN RIDGE, FLORIDA

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT THEREON

FISCAL YEAR ENDED SEPTEMBER 30, 2023



TOWN OF OCEAN RIDGE, FLORIDA
SEPTEMBER 30, 2023

TABLE OF CONTENTS

	<u>Pages</u>
Independent Auditor's Report	1 - 3
Management's Discussion and Analysis (required supplementary information)	4 - 9
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements	
Balance Sheet – Governmental Funds	12
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	15
Notes to the Financial Statements	16 - 60
Required Supplemental Information Other Than MD&A	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	61
Notes to the Budgetary Required Supplementary Information - General Fund	62
Schedule of Changes in Total OPEB Liability	63
Schedule of Employer Contributions – Florida Retirement System Pension Plan	64
Schedule of Proportionate Share of Net Pension Liability – Florida Retirement System Pension Plan	65
Schedule of Employer Contributions – Florida Retirement System Retiree Health Insurance Subsidy Program	66
Schedule of Proportionate Share of Net Pension Liability – Florida Retirement System Retiree Health Insurance Subsidy Program	67
Other Reports	
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 <i>Government Auditing Standards</i>	68 - 70

TOWN OF OCEAN RIDGE, FLORIDA
SEPTEMBER 30, 2023

TABLE OF CONTENTS

	<u>Pages</u>
Management Letter in Accordance With the Rules of the Auditor General of the State of Florida	71 - 73
Independent Accountant's Report on Compliance with Section 218.415, Florida Statutes	74



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INDEPENDENT AUDITOR’S REPORT

The Honorable Mayor and Members of the Town Commission
Town of Ocean Ridge, Florida

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Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Ocean Ridge, 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 Ridge, Florida’s basic financial statements 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, each major fund, and the aggregate remaining fund information of the Town of Ocean Ridge, Florida, as of September 30, 2023, 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 Ocean Ridge, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Town adopted the recognition and disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective October 1, 2022. Our opinions are not modified with respect to this matter.

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 Ridge, 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 Ridge, 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 Ridge, 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 9, the budgetary comparison data on pages 61 and 62, the Schedule of Changes in Total OPEB Liability on page 63, and pension schedules on pages 64 through 67 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 July 15, 2024, on our consideration of the Town of Ocean Ridge, Florida’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Town of Ocean Ridge, 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 Ocean Ridge, Florida’s internal control over financial reporting and compliance.

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florid
July 15, 2024

TOWN OF OCEAN RIDGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023

Within this section of the Town of Ocean Ridge annual financial report, the Town's management provides a narrative discussion and analysis of the financial activities of the Town for the fiscal year ended September 30, 2023. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. The discussion focuses on the Town's primary government.

FINANCIAL HIGHLIGHTS

- § The Town's net position increased as a result of this year's operations. Assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources at the close of the most recent fiscal year by \$18,773,128 compared to last year when assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$17,228,976. The net position at the end of 2023 included \$3,975,605 in unrestricted net position.
- § The governmental activities revenues were \$10,409,720 at the close of fiscal year 2023.
- § The governmental activities expenses were \$8,865,568 during the fiscal year 2023.
- § Total governmental fund expenditures were \$8,839,717 during fiscal year 2023. Total expenditures for the current year compared to prior year expenditures of \$9,371,644 decreased by 6% or \$531,927.
- § At the end of the 2023 fiscal year, the fund balance for the General Fund was \$9,115,349. The General Fund unassigned fund balance was \$7,077,505 or 90% of total General Fund expenditures.
- § At the end of the 2023 fiscal year, the fund balance for the Capital Projects Fund was \$325,575, and combined with the \$9,115,349 fund balance for the General Fund, the total fund balance of the Town at the end of the 2023 fiscal year was \$9,440,924.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) introduces the Town's basic financial statements. The basic financial statements include: (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 includes all of the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide statements report the Town's net position and how it has changed. Net position, which is the difference between the Town's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, is one way to measure the Town's financial health or financial position. Over time, increases or decreases in the Town's net position are indicators of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's infrastructure to assess the overall health of the Town.

Fund Financial Statements

Fund financial statements provide detailed information about the most significant funds, not the Town as a whole. The Town uses the funds to keep track of specific sources of funding and spending for a particular purpose. All the Town's funds are governmental funds.

§ The General Fund includes most of the Town's basic services which focus on (1) how cash and other financial assets can be readily converted to cash flow, and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.

§ The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Net Position

The Town's combined net position for the fiscal year ending 2023 is \$18,773,128. This is an increase of \$1,544,152 from last year's net position of \$17,228,976. The fiscal year 2022 was restated to comply with the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*.

Summary of Net Position Total Primary Government

	2022(Restated)	2023
Current Assets	\$ 8,263,729	\$ 9,696,940
Capital Assets	15,903,292	15,894,449
Total Assets	24,167,021	25,591,389
Deferred Outflows of Resources	1,367,522	1,258,596
Current Liabilities	762,898	1,199,904
Non-current liabilities	7,172,366	6,588,277
Total Liabilities	7,935,264	7,788,181
Deferred Inflows of Resources	370,303	288,676
Net Investment in Capital Assets	13,150,429	13,561,456
Restricted for Debt Service	113,074	114,343
Restricted for Infrastructure	792,331	971,141
Restricted for Building Code Enforcement	297,547	39,771
Restricted for Transportation	60,164	78,154
Restricted for Town Hall Beautification	32,658	32,658
Unrestricted	2,782,773	3,975,605
Total Net Position	\$ 17,228,976	\$ 18,773,128

Changes in Net Position

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 the future fiscal periods (i.e., uncollected taxes and earned but unused vacation leave).

The following is a summary of the Town's changes in net position for the year ended September 30:

Summary of Changes in Net Position

	<u>2022</u>	<u>2023</u>
<u>Revenues:</u>		
Program Revenues:		
Charges for Services	\$ 1,596,162	\$ 1,334,019
Operating grants and contributions	526,506	490,414
Capital grants and contributions		
General Revenues:		
Property Taxes	6,094,357	7,201,808
Other Taxes	915,948	989,016
Intergovernmental	268,899	281,519
Investment earnings	42,113	88,843
Net increase (decrease) in fair value of investments	3,054	
Gain on disposal of capital assets		21,622
Miscellaneous	1,566	2,479
Total Revenues	<u>9,448,605</u>	<u>10,409,720</u>
<u>Expenses:</u>		
General Government	1,344,748	1,559,787
Public Safety	4,840,279	5,764,115
Public Works	687,731	868,865
Physical Environment	647,883	581,437
Interest on long term debt	108,265	91,364
Total Expenses	<u>7,628,906</u>	<u>8,865,568</u>
Increase (decrease) in net position	1,819,699	1,544,152
Net Position, beginning	<u>15,409,277</u>	<u>17,228,976</u>
Net Position, ending	<u>\$ 17,228,976</u>	<u>\$ 18,773,128</u>

General Fund Budgetary Highlights

All unexpended funds identified as audited at the end of each fiscal year return to the Town reserve fund, or fund balance. Even though the budgets for the past several years show that reserves would be required to balance the budget, the Town Reserves have increased over the past several years, mainly due to turnover in personnel throughout the year, as well as budgeted projects that were not completed during the year due to short staffing, along with an increase in building permit revenue.

For FY23, the Town budgeted General Fund revenues at \$10,046,631 and \$104,590 was budgeted to be taken from reserves to balance the budget. The actual General Fund revenues collected for FY23 were \$10,408,317 compared to the budgeted revenues of \$10,046,631. For FY23, the Town budgeted General Fund expenditures at \$9,225,221, and the actual expenditures were \$7,928,150. The total of other financing sources (uses) was \$16,254. The amount added to the Town's reserves or fund balance was \$2,496,401 for the fiscal year ended September 30, 2023. The General Fund's fund balance increased to \$9,115,349 for the fiscal year ended September 30, 2023.

Budget amendments are made by the Town Commission within 60 days of the end of the fiscal year to true-up expenditure line items. The budget amendments approved by the Town Commission for the FY23 fiscal year increased budgeted expenditures by \$69,000.

Capital Asset and Debt Administration

Capital Assets

At the end of the fiscal year 2023, the Town had \$15,894,449 invested in a broad range of capital assets including police equipment, buildings, infrastructure, and water improvements. The fiscal year 2022 was restated to comply with the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. Additional information about capital assets can be found in Note 5 of the financial statements. The following is a summary of capital assets as of September 30:

Summary of Capital Assets Net of Accumulated Depreciation and Amortization

	2022(Restated)	2023
Land	\$ 2,302,564	\$ 2,302,564
Construction in Progress	9,525	79,958
Buildings	5,337,437	5,410,266
Equipment	1,584,904	1,824,982
Infrastructure	19,160,256	19,222,938
Intangible Assets	25,120	360,819
	<hr/> 28,419,806	<hr/> 29,201,527
Less Accumulated Depreciation and Amortization	12,516,514	13,307,078
TOTALS	<hr/> \$ 15,903,292 <hr/>	<hr/> \$ 15,894,449 <hr/>

Debt and Long-Term Liabilities

As of September 30, 2023, the Town had long-term liabilities of \$903,896 owed to the Florida Department of Environmental Protection as part of the State Revolving Fund Loan, a federal program with state match, \$1,156,651 owed to Bank of America for a promissory note, \$211,813 in compensated absences, \$124,307 in other postemployment benefits, net pension liability of \$4,847,022, lease payable of \$187,410, and a SBITA payable of \$85,036.

The fiscal year 2022 was restated to comply with the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*.

The Town's long-term liabilities are summarized in the following table and are more fully explained in Note 6 of the financial statements.

Summary of Long-Term Liabilities

	<u>2022(Restated)</u>	<u>2023</u>
State Revolving Fund Loan	\$ 1,337,264	\$ 903,896
Bank of America Promissory Note	1,390,479	1,156,651
Lease Payable		187,410
SBITA Payable	25,120	85,036
Net Pension Liability	4,100,654	4,847,022
OPEB	112,575	124,307
Compensated Absences	<u>195,070</u>	<u>211,813</u>
	<u>\$ 7,161,162</u>	<u>\$ 7,516,135</u>

Implementation of New Accounting Standards

During FY23 the Town implemented four new accounting standards. They were GASB Statement No. 91, *Conduit Debt Obligation*; GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*; and GASB Statement No. 99, *Omnibus 2022*. See Note 1 for a discussion of the new standards implemented and other new accounting pronouncements that might have an impact on the Town's financial statements when they are implemented in future periods.

Economic Factors and Next Year's Budgets and Rates

The 2024 fiscal year General Fund revenue projections have been comparable to previous years.

- The General Fund Budget for FY24 required unappropriated funds to balance. This includes proposed transfers to Capital Projects to fund the 5-year capital plan.
- In FY24, the millage rate decreased to 5.4 mils with a 13.2% increase over the rolled-back rate. The total amount of Ad Valorem revenues in FY23 is an increase of \$811,762 over the prior fiscal year budget.
- The Town Commission authorized a pilot program for iguana control in FY19 at the cost of \$12,000 and voted to continue the successful program in the FY20, FY21, and FY22 budgets, at the cost of \$19,200 each year. This was discontinued in FY 24.

- The Town received \$7,006,817 in State Revolving Fund Loan monies for the various stormwater drainage improvements in 2002 through 2006. The term of the loan is for 20-years with semi-annual payments. The yearly payment amount is \$467,944 made in two (2) payments.
- The proposed annualized cycle for a road repaving program was deferred again for FY24, and the Capital Budget includes \$805,000 earmarked for drainage infrastructure and storm drain enhanced maintenance; \$175,383 in improvements and updates to the Town Hall property; \$155,000 to replace the generator at Woolbright pump station; and \$155,000 for vehicles, machinery & equipment across all Departments.
- Boynton Beach Fire Department provides Fire Services and Emergency Medical Services (EMS) to the Town. The cost for the 2023 fiscal year was \$1,399,000, and the cost for 2024 is \$1,423,481. The contract expires September 30, 2028.
- The Town of Ocean Ridge extended the contract to provide Police Services to the neighboring Town of Briny Breezes ending September 30, 2025. The Town of Ocean Ridge will collect revenue of \$196,691 in FY 23 for this service, with a provision to increase the revenue by 3% in years two (2) and three (3) of the contract. The Town also picked up the contract to provide Police Services to the Gulfstream Views condo development in FY 24 and will collect \$25,000 in revenue.
- The Town's five (5) year Solid Waste & Recycling contract with Waste Pro began in FY20. The Town budgeted \$312,000 for Solid Waste & Recycling for FY24, which was an increase of 3.14% over the prior year; and anticipates budgeting a 4.5% increase over the prior year based upon the amendment to extend the agreement for another 5 years..
- The Town Commission voted to keep the contingency line item at \$150,000 in FY24 to ensure that funds are available in the event of an emergency. Due to increased supply chain costs, this is anticipated to remain the same in FY25.

Contacting the Town's Financial Management

This financial report is designed to provide our residents and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives and disburses. If you have any questions about this report or need additional information, please contact the Town of Ocean Ridge, 6450 North Ocean Boulevard, Ocean Ridge, Florida 33435.

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

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,857,967
Investments	7,479,576
Accounts receivable (net)	183,613
Prepays	26,140
Restricted cash and cash equivalents	149,644
Capital assets	
Non-depreciable	2,382,522
Depreciable, net	13,221,903
Amortized, net	290,024
Total assets	25,591,389
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	1,248,707
Accumulated decrease in fair value - interest rate swap	9,889
Total deferred outflows of resources	1,258,596
LIABILITIES	
Current liabilities	
Accounts payable	143,632
Accrued payroll	91,775
Unearned revenue	15,801
Accrued interest payable	8,306
Accrued interest payable from restricted assets	2,643
Non-current liabilities	
Interest rate swap	9,889
Due within one year	927,858
Due in more than one year	6,588,277
Total liabilities	7,788,181
DEFERRED INFOWS OF RESOURCES	
Pension related items	288,676
Total deferred inflows of resources	288,676
NET POSITION	
Net investment in capital assets	13,561,456
Restricted for debt service	114,343
Restricted for infrastructure	971,141
Restricted for building code enforcement	39,771
Restricted for transportation	78,154
Restricted for Town Hall beautification	32,658
Unrestricted	3,975,605
Total net position	\$ 18,773,128

See notes to the financial statements

TOWN OF OCEAN RIDGE, 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	\$ 1,559,787	\$ 705,767	\$ 74	\$	\$ (853,946)
Public safety	5,764,115	289,433	490,340		(4,984,342)
Public works	868,865				(868,865)
Physical environment	581,437	338,819			(242,618)
Interest on long term debt	91,364				(91,364)
Total governmental activities	\$ 8,865,568	\$ 1,334,019	\$ 490,414	\$	(7,041,135)

General revenues	
Property taxes	7,201,808
Infrastructure surtax	178,810
Utility service taxes	504,226
Franchise taxes	248,441
Gasoline taxes	57,539
State shared revenues - unrestricted	254,186
Local shared revenues - unrestricted	27,333
Unrestricted investment income	88,843
Gain on disposal of capital assets	21,622
Miscellaneous	2,479
Total general revenues	8,585,287
Change in net position	1,544,152
Net position, beginning of year	17,228,976
Net position, end of year	\$ 18,773,128

See notes to the financial statements

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

	General	Capital Projects Fund	Total
ASSETS			
Cash and cash equivalents	\$ 1,527,361	\$ 330,606	\$ 1,857,967
Investments	7,479,576		7,479,576
Receivables (net)	183,613		183,613
Due from other funds	5,031		5,031
Prepaid items	26,140		26,140
Restricted cash and cash equivalents	149,644		149,644
Total assets	\$ 9,371,365	\$ 330,606	\$ 9,701,971
LIABILITIES			
Accounts payable	\$ 143,632	\$	\$ 143,632
Accrued payroll	91,775		91,775
Unearned revenue	15,801		15,801
Due to other funds		5,031	5,031
Total liabilities	251,208	5,031	256,239
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	4,808		4,808
Total deferred inflows of resources	4,808		4,808
FUND BALANCES			
Non-Spendable:			
Prepays	26,140		26,140
Restricted for:			
Debt service	116,986		116,986
Infrastructure	971,141		971,141
Building code enforcement	39,771		39,771
Town Hall beautification	32,658		32,658
Transportation	78,154		78,154
Assigned to:			
Self insurance	160,000		160,000
Drainage	370,000		370,000
Beautification	115,000		115,000
Subsequent year budget	127,994		127,994
Capital projects		325,575	325,575
Unassigned	7,077,505		7,077,505
Total fund balances	9,115,349	325,575	9,440,924
Total liabilities, deferred inflows of resources, and fund balances	\$ 9,371,365	\$ 330,606	\$ 9,701,971

See notes to the financial statements

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

Fund balances total governmental funds \$ 9,440,924

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	\$ 29,201,527	
Less accumulated depreciation and amortization	<u>(13,307,078)</u>	15,894,449

Revenues earned but not collected within 60 days are not current financial resources and therefore, are not reported in the governmental fund.

Unavailable revenue		4,808
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Long-term liabilities, including notes and bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

Compensated absences	(211,813)	
Loans payable	(2,060,547)	
Lease payable	(187,410)	
SBITA payable	(85,036)	
Net pension liability	(4,847,022)	
Total other postemployment benefits liability	(124,307)	
Accrued interest on long-term debt	<u>(10,949)</u>	(7,527,084)

Deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans are applicable to future periods and are not reported in the governmental funds.

Pension related deferred outflows	1,248,707	
Pension related deferred inflows	<u>(288,676)</u>	<u>960,031</u>

Net position of governmental activities \$ 18,773,128

See notes to the financial statements

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

	General	Capital Projects Fund	Total
REVENUES			
Property taxes	\$ 7,201,808	\$	\$ 7,201,808
Utility service taxes	524,445		524,445
Gasoline taxes	57,539		57,539
1/2 Cent sales tax	188,713		188,713
Infrastructure surtax	178,810		178,810
Local business tax	819		819
Electric franchise fee	248,441		248,441
State shared revenues	65,473		65,473
Local shared revenues	27,333		27,333
Licenses and permits	667,466		667,466
Grants	490,340		490,340
Fines and forfeitures	36,651		36,651
Charges for services	629,083		629,083
Interest	88,843		88,843
Contributions	74		74
Miscellaneous	2,479		2,479
Total revenues	10,408,317		10,408,317
EXPENDITURES			
Current			
General government	1,217,003		1,217,003
Public safety	4,989,751		4,989,751
Public works	309,143		309,143
Physical environment	577,769		577,769
Debt service			
Principal	699,878	55,691	755,569
Interest	94,494		94,494
Capital outlay	40,112	855,876	895,988
Total expenditures	7,928,150	911,567	8,839,717
Excess (deficiency) of revenues over expenditures	2,480,167	(911,567)	1,568,600
OTHER FINANCING SOURCES (USES)			
Transfers in		5,388	5,388
Transfers out	(5,388)		(5,388)
Proceeds from issuance of debt - leases		243,101	243,101
Proceeds from issuance of debt - SBITA		92,598	92,598
Proceeds from sale of capital assets	21,622		21,622
Total other financing sources (uses)	16,234	341,087	357,321
Net change in fund balances	2,496,401	(570,480)	1,925,921
Fund balances, beginning of year	6,618,948	896,055	7,515,003
Fund balances, end of year	\$ 9,115,349	\$ 325,575	\$ 9,440,924

See notes to the financial statements

TOWN OF OCEAN RIDGE, 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 \$ 1,925,921

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	\$ 867,786	
Less: current year depreciation	<u>(876,629)</u>	(8,843)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt is an expenditure governmental funds. Interest payable is not accrued in governmental funds.

Debt issuance		(335,699)
Principal payments on debt		755,569
Decrease in accrued interest payable		3,130

Governmental funds report revenues when earned and available. However, in the Statement of Activities, revenues are recognized when earned, regardless of availability.

Change in unavailable revenue		(20,219)
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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.

Increase in compensated absences payable	(16,743)	
Increase in other postemployment benefits	(11,732)	
Change in net pension liability and related deferred amounts	<u>(747,232)</u>	<u>(775,707)</u>

Change in net position		<u><u>\$ 1,544,152</u></u>
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See notes to the financial statements

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Ocean Ridge, 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 Ridge, Florida is a municipal corporation organized pursuant to Chapter 15088, 1931 Laws of Florida, and governed by an elected five-member Commission. The Town Commission is responsible for the establishment and adoption of policy. The Commission appoints a Town Manager who is responsible for the execution of policy. The Town's major operations include law enforcement and fire control, protective inspections, sanitation, environmental, public works, civil defense, and general and administrative services.

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 RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements

The basic financial statements include both 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 the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund 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 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 are provided for governmental funds. 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 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.

Governmental Funds

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. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures relating 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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

Issuance of long-term debt, acquisitions under capital leases, and acquisition under subscription based information technology arrangements are reported as other financing sources.

Fines and permit revenues are not susceptible to accrual because generally, they are not measurable until received in cash. Property taxes, franchise taxes, licenses, interest revenue, intergovernmental revenues, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

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.

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.

The Town reports the Capital Projects Fund as a nonmajor governmental fund. The Capital Projects Fund accounts for the financial resources for the acquisition or construction of major capital facilities.

Cash and Cash Equivalents

Cash and cash equivalents include amounts on deposit in demand accounts.

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*.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable of the General Fund consists of billed and unbilled 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. Effective October 1, 2016, the Town increased the capitalization threshold from \$500 to \$5,000 for all classes of capital assets. Capital assets are reported in the government-wide Statement of Net Position and include plant, property, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar assets). 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. 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 are as follows:

Buildings	30 years
Roadways	30 years
Water distribution and drainage systems	40 years
Police and fire equipment	7 - 10 years
Furniture and other equipment	3 - 7 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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

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.

Subscription-Based Information Technology Arrangements

A contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction is a subscription-based information technology arrangement (SBITA). At the commencement of the subscription term the Town recognizes a subscription liability and an intangible right-to-use asset. Subscription liabilities are initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments are discounted using the interest rate the SBITA vendor charges the Town or the Town's incremental borrowing rate if the interest rate is not readily determinable. Amortization of the discount on the subscription liability is recognized as an outflow of resources (for example, interest expense). The SBITA assets are initially measured at an amount equal to the initial measurement of the related SBITA liability plus any SBITA payments made prior to the subscription term, less SBITA incentives, plus any ancillary charges necessary to place the SBITA into service. The SBITA assets are amortized on a straight-line basis over the life of the related contract. The costs of normal maintenance and repairs that do not add to the values of the assets or materially extend the asset lives are not capitalized and are expensed as incurred. The Town monitors changes in circumstances that would require a remeasurement of its SBITAs and will do so if certain changes occur that would be expected to significantly affect the amount of the lease liability. SBITA assets are reported with other capital assets and SBITA lease liabilities are reported with long-term liabilities on the statement of net position.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the government and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or such events take place. All vacation and sick leave are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Town employees who are union members may accumulate up to 84 hours of vacation leave and other employees may accumulate up to 80 hours. Town employees hired on or after May 7, 1991 may accumulate up to 20 days of sick leave. Employees hired prior to May 7, 1991 shall not be subject to the 20 days of sick leave maximum. Accumulated vacation is payable to employees upon termination or retirement at the rate of pay on that date. Sick leave can be used for paid time off or paid to employees upon termination or retirement for one-fourth of the days of unused sick leave at the rate of pay on that date. Compensated absences are liquidated in the General Fund.

Interest Rate Swaps

The Town enters into interest rate swap agreements to modify interest rates on outstanding debt.

Interest Cost

Interest costs in governmental funds are charged to expenditures as incurred. Construction period interest incurred in governmental funds is not capitalized.

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 RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

Encumbrance accounting is used for purposes of budgetary control and contract compliance. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to earmark that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Because appropriations expire at year end, the Town's policy is to automatically add encumbered amounts at year end to the subsequent year budget.

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 has two items that qualify for reporting in this category. They are pension related items and the accumulated decrease in fair value of an interest rate swap.

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 has two types of items that qualify for reporting in this category. They are pension related items which are reported only in the statement of net position and unavailable revenue, which occurs only under the modified accrual basis of accounting, which are reported only in the governmental funds balance sheet.

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 Commission or authority may be delegated to the Town Manager.
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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances (Continued)

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:

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 “net investment in capital assets.”

Budgetary Data

Formal budgetary integration is employed as a management control device during the year for the General Fund and the Capital Projects 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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes (Continued)

The tax levy of the Town is established by the Town Commission prior to October 1 of each year, and the Palm Beach County Property Appraiser incorporates the Town's millage into the total tax levy, which includes Palm Beach County and Palm Beach County School Board tax requirements. The millage rate assessed by the Town for the year ended September 30, 2023 was 5.4000 (\$5.4000 for each \$1,000 of assessed valuation).

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.

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of Accounting Pronouncements

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

GASB 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 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 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 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 requires the cumulative effect of applying this Statement to be reported as a restatement of beginning net position and impacts the beginning balances in Notes 5 and 6. The cumulative effect of applying this standard is reported as shown below.

	Governmental Activities	
	SBITA Asset	SBITA Liability
Balance at September 30, 2022, as reported	\$	\$
Adjustment for implementation of GASB 96	25,120	25,120
Balance at October 1, 2023, as restated	\$ 25,120	\$ 25,120

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of Accounting Pronouncements (Continued)

public-public partnerships, and subscription-based information technology arrangements were implemented during the current fiscal 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, and all reporting periods thereafter.

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.

In June 2022, the 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 errors made in fiscal years ending September 30, 2024, and all reporting periods thereafter. Earlier application is encouraged.

In June 2022, the 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 absences 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, and all reporting periods thereafter. Earlier application is encouraged.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

In December 2023, the 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 and 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, and all reporting periods thereafter. Earlier application is encouraged.

In April 2024 the Governmental Accounting Standards Board issued Statement No. 103, *Financial Reporting Model Improvements*. This statement will improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. This Statement is effective for the fiscal year ending September 30, 2026. Earlier application is encouraged.

NOTE 2 – BUDGETARY INFORMATION

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

The General Fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department, which constitutes the legal level of control. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to final review by the Town Commission. Within these control levels, the Town Manager may transfer appropriations between line items.

The budget for the General Fund is prepared in accordance with generally accepted accounting principles in the United States of America. The budget and actual financial statements are also reported on this basis. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

TOWN OF OCEAN RIDGE, 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 \$8,159,602 and the carrying amount was \$9,487,037. The Town also had \$150 in petty cash for a total carrying amount of \$9,487,187. Deposits include a money market checking account with a carrying value of \$7,479,576 that is reported as investments.

Investments

In January 2023, the Town adopted an investment policy to govern the investment of surplus funds. The policy authorizes the Town to invest surplus funds in the following investment types:

- United States Government Securities
- United States Government Agencies
- Federal Instrumentalities (U.S. Government Sponsored Agencies)
- Interest Bearing Time Deposits or Savings Accounts
- Repurchase Agreements
- Florida Prime Investment Pool
- Money Market Accounts
- Mutual Funds Registered Investment Companies
- Intergovernmental Investment Pools as provided in Section 163.01, Florida Statutes
- Florida Municipal Investment Trust (Short Term Bond Portfolio and/or Intermediate Term Bond Portfolio)
- Foreign Obligations of the State of Israel

The investment policy places limits on the maximum allocation for each investment type, individual issuers, and the maximum maturity at the time of purchase.

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

NOTE 3 – DEPOSITS AND INVESTMENTS

Investments

GASB Statement No. 72, *Fair Value Measurement and Application*, requires governments to disclose the fair value hierarchy for each type of asset or liability measured at fair value in the notes to the financial statements. The standard also requires governments to disclose a description of the valuation techniques used in the fair value measurement and any significant changes in valuation techniques. GASB 72 establishes a three-tier fair value hierarchy. The level in which an asset is assigned is not indicative of its quality but an indication of the source of valuation inputs. The hierarchy is based on valuation inputs used to measure the fair value as follows:

- Level 1: Inputs are directly observable, quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs are other than quoted prices included within Level 1 that are for the asset or liability, either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation or by other means.
- Level 3: Inputs are unobservable inputs used only when relevant Level 1 and Level 2 inputs are unavailable.

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.

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's investment policy limits the maximum maturity of investments at the time of purchase as a means of managing exposure to fair value losses arising from increasing interest rates.

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 investments were insured or collateralized.

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

NOTE 4 – RECEIVABLES

The Town’s receivables as of September 30, 2023, are as follows:

	General Fund
Taxes receivable	\$ 103,193
Due form other governments	68,459
Grants Receivable	4,808
Accounts receivable - billed	4,380
Other receivables	2,773
Total receivables	183,613
Less allownce for uncollectible accounts	
Net receivables	\$ 183,613

NOTE 5 – CAPITAL ASSETS

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

Governmental Activities	Depreciation	Amortization	Total
General government	\$ 213,890	\$	\$ 213,890
Public safety	60,890	70,795	131,685
Public works	531,054		531,054
	\$ 805,834	\$ 70,795	\$ 876,629

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

NOTE 5 – CAPITAL ASSETS (Continued)

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

<u>Governmental Activities</u>	Restated (a) Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 2,302,564	\$	\$	\$ 2,302,564
Construction in Progress	9,525	70,433		79,958
Total Assets Not Being Depreciated	<u>2,312,089</u>	<u>70,433</u>		<u>2,382,522</u>
Capital Assets Being Depreciated				
Buildings	5,337,437	72,829		5,410,266
Infrastructure	19,182,542	49,896	(9,500)	19,222,938
Equipment	1,562,618	338,929	(76,565)	1,824,982
Total Assets Being Depreciated	<u>26,082,597</u>	<u>461,654</u>	<u>(86,065)</u>	<u>26,458,186</u>
Less Accumulated Depreciation For				
Buildings	(2,555,333)	(177,103)		(2,732,436)
Infrastructure	(8,831,073)	(505,195)	9,500	(9,326,768)
Equipment	(1,130,108)	(123,536)	76,565	(1,177,079)
Total Accumulated Depreciation	<u>(12,516,514)</u>	<u>(805,834)</u>	<u>86,065</u>	<u>(13,236,283)</u>
Total Capital Assets Being Depreciated, Net	<u>13,566,083</u>	<u>(344,180)</u>		<u>13,221,903</u>
Capital Assets Being Amortized				
Intangible assets - Leases		243,101		243,101
Intangible assets - SBITA	25,120	92,598		117,718
Total Assets Being Amortized	<u>25,120</u>	<u>335,699</u>		<u>360,819</u>
Less Accumulated Amortization For				
Intangible assets - Leases		(32,414)		(32,414)
Intangible assets - SBITA		(38,381)		(38,381)
Total Accumulated Amortization		<u>(70,795)</u>		<u>(70,795)</u>
Total Capital Assets Being Amortized, Net	<u>25,120</u>	<u>264,904</u>		<u>290,024</u>
Capital Assets, Net	<u>\$ 15,903,292</u>	<u>\$ (8,843)</u>	<u>\$</u>	<u>\$ 15,894,449</u>

(a) Restated for implementaion of GASB Statement No. 96

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

NOTE 6 – LONG-TERM LIABILITIES

During the year ended September 30, 2023, the following changes occurred in long-term liabilities:

<u>Governmental Activities</u>	Restated (a) Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Direct Borrowings					
Revolving Fund Loan	\$1,337,264	\$	\$ (433,368)	\$ 903,896	\$ 445,639
Bank of America Loan	1,390,479		(233,828)	1,156,651	265,656
Total Direct Borrowings	<u>2,727,743</u>		<u>(667,196)</u>	<u>2,060,547</u>	<u>711,295</u>
Lease payable		243,101	(55,691)	187,410	42,029
SBITA payable	25,120	92,598	(32,682)	85,036	29,534
Net pension liability	4,100,654	746,368		4,847,022	
OPEB	112,575	15,872	(4,140)	124,307	
Compensated absences	195,070	164,308	(147,565)	211,813	145,000
	<u>4,433,419</u>	<u>1,262,247</u>	<u>(240,078)</u>	<u>5,455,588</u>	<u>216,563</u>
	<u>\$7,161,162</u>	<u>\$1,262,247</u>	<u>\$ (907,274)</u>	<u>\$ 7,516,135</u>	<u>\$ 927,858</u>

(a) Restated for implementaion of GASB Statement No. 96

Interest Expense

Total interest costs incurred and paid on all Town debt for the year ended September 30, 2023 were \$91,364 and \$94,494, respectively.

Clean Water State Revolving Fund Loan

The Town has entered into a Clean Water State Revolving Fund Loan Agreement with The State of Florida Department of Environmental Protection (the “Department”). The loan was initially obtained by the Town in 2002 in the amount of \$439,398 for planning and design for major drainage improvements. The loan was amended in 2004 to include an additional \$3,988,000 for construction, amended again in 2005 for additional construction funds of \$1,679,076 and amended again in 2006 for additional construction funds of \$900,343. The loan is payable from and secured by the Local Government Half-Cent Sales Tax revenue, Florida Power and Light Franchise Tax revenue, Communications Service Tax revenue, and Utility Service Tax revenues received yearly. Principal and interest paid for the current fiscal year was \$467,944 and total pledged revenues were \$961,600. As of September 30, 2023, principal and interest to maturity in 2025 to be paid from pledged future revenues totaled \$935,888. As of September 30, 2023, outstanding principal, including capitalized interest, was \$903,896. The loan bears interest of approximately 3%.

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

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Clean Water State Revolving Fund Loan (Continued)

The loan agreement contains a provision that upon the occurrence of any event of default the Department may enforce its rights by certifying to the Florida Auditor General and the Florida Comptroller delinquency on loan repayments. The Department may intercept the delinquent amounts plus a penalty from any unobligated funds due to the Town under any revenue or tax sharing fund established by the State, except as otherwise provided by the State Constitution. The Department may impose a penalty in an amount not to exceed the interest rate of 18 percent per annum on the amount due in addition to charging the cost to handle and process the debt. The Department may also enforce its rights by accelerating the repayment schedule or increasing the interest rate on the unpaid principal of the loan to as much as 3.333 times the loan interest rate.

Annual debt service requirements to maturity for the loan as of September 30, 2023 are as follows:

Year Ended September 30	Principal	Interest	Annual Payment
2024	\$ 445,639	\$ 22,305	\$ 467,944
2025	458,257	9,687	467,944
	\$ 903,896	\$ 31,992	\$ 935,888

Bank of America Town Hall Promissory Note

On August 27, 2007, the Town issued its \$4,000,000 Bank of America Promissory Note for the purpose of constructing a new town hall. The Town covenants that, so long as the Note shall remain unpaid or any other amounts are owed by the Town under the Loan Agreement, Note, or the Hedge, it will appropriate in its annual budget, by amendment if required, from non-ad valorem revenues, amounts sufficient to pay principal and interest on the Note and other amounts owed under the Loan Agreement and the Hedge as they become due. Non-ad valorem revenues means all revenues of the Town not derived from ad valorem taxation and which are lawfully available to pay debt service on the Note, but only after provision has been made by the Town for the payment of services and programs which are for essential public purposes affecting the health, welfare, and safety of the inhabitants of the Town or which are legally mandated by applicable law.

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

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Bank of America Town Hall Promissory Note (Continued)

Interest only is due for the first twelve months in quarterly payments beginning November, 2007. Thereafter, interest and principal are due in quarterly payments through August 2027. The interest rate will be a variable rate calculated at the beginning of each month. The variable rate was originally based upon the London Interbank Offer Rate (“LIBOR”), which ceased to exist after June 30, 2023, making it necessary to amend the Note to incorporate a different index rate. In April 2023, the Town and the Bank entered into an agreement that the replacement index will be the Secured Overnight Financing Rate (“SOFR”). Effective April 2023, the variable rate is equal to the sum of 63.7% of the Daily SOFR plus 0.80%. The Daily SOFR means the rate per annum equal to the sum of the SOFR determined for any day plus 0.11448%. As of September 30, 2023, the interest rate was 4.25539%.

The loan agreement includes a provision that upon the occurrence of any event of default, the bank may declare all obligations of the Town under the Loan Agreement and the Note to be immediately due and payable without further action of any kind and upon such declaration the Note and the interest accrued thereon shall become immediately due and payable.

Interest Rate Swap

Terms and Objectives: In an effort to lower its borrowing costs when compared against fixed rate loans at the time of issuance, the Town issued the \$4,000,000 variable rate Bank of America Promissory Note and entered into a corresponding pay fixed rate swap agreement. The objective of the swap is to change the Town’s variable rate loan into a synthetic fixed rate instrument. Based on the swap agreement, the Town pays a fixed rate of 4.315% to the counterparty of the swap, based on the notational amount. In return, the counterparty pays interest based on an applicable rate that is equal to 63.7% of the Daily SOFR plus 0.80%. The loan principal is not exchanged; it is only the basis on which the interest payments are calculated. The effective date of the swap was September 1, 2007 and the termination date is August 1, 2027. The notational amount of the swap is the same as the principal amount of the loan. The notational amount was \$4,000,000 at the effective date of the swap and \$1,156,651 as of September 30, 2023.

The interest rate swap is a derivative instrument as defined in GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The primary objective of this derivative instrument is to function as a hedging instrument. The interest rate swap is classified as a discrete cash flow hedge. As a derivative instrument associated with a hedgeable item, this interest rate swap is effective by significantly reducing an identified financial risk by substantially offsetting changes in the cash flows of the Bank of America Promissory Note. The Town used the synthetic instrument method to evaluate hedge effectiveness for the swap.

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

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Interest Rate Swap (Continued)

Basis Risk: The Town is not exposed to basis risk because the variable payment received from the counterparty is determined on the same basis as that used to calculate the promissory note variable rate. The promissory note and counterparty interest rates are both equal to 63.7% of the Daily SOFR one month rate plus 0.80%.

Fair Value: As of September 30, 2023, the swap had a negative fair value of \$9,889 because interest rates have declined since the execution of the swap. The fair value increased \$26,435 during the fiscal year ended September 30, 2023 from a negative fair value of \$36,324 at September 30, 2022. The fair values are estimated using a proprietary valuation model developed by the counterparty. This valuation method estimates future cash flows by projecting forward rates, and then discounts those cash flows to their present value. The valuation inputs used to measure the fair value of the swap are significant other observable inputs including quoted prices for similar assets in active and non-active markets. The swap's fair value is categorized as level 2 in the fair value hierarchy in accordance with GASB Statement No. 72.

Credit Risk: As of September 30, 2023, the Town was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the Town would be exposed to credit risk in the amount of the derivative instrument's fair value. As of September 30, 2023 the long-term senior unsecured debt of Bank of America, N.A., the swap's counterparty, was rated AA- by Fitch Ratings, A+ by Standard & Poor's, and Aa2 by Moody's Investors Service.

Termination Risk: The Town's derivative instrument contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Town or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If at the time of termination, the swap has a negative fair value, the Town would be liable to the counterparty for a payment equal to the swap's fair value.

Rollover Risk: The Town is not exposed to rollover risk because the maturity date for the hedged Bank of America Promissory Note is the same as the termination date for the interest rate swap.

Foreign Currency Risk: The Town is not exposed to foreign currency risk on the interest rate swap.

Swap Payments and Associated Debt: The interest rate swap agreement does not affect the Town's obligation to repay the principal and variable rate interest on the Bank of America Promissory Note under the terms of the loan agreement. The following table presents debt service payments on the variable rate loan, net of associated swap payments. The calculations are based on the assumption that the rates as of September 30, 2023 remain constant over the life of the loan.

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

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Interest Rate Swap (Continued)

Year Ended September 30	Principal	Interest	Variable Rate Interest	Net Cash Flows
2024	\$ 265,656	\$ 44,886	\$ 629	\$ 311,171
2025	277,592	33,115	464	311,171
2026	289,938	20,940	293	311,171
2027	323,465	8,224	115	331,804
	<u>\$ 1,156,651</u>	<u>\$ 107,165</u>	<u>\$ 1,501</u>	<u>\$ 1,265,317</u>

NOTE 7 – FLORIDA RETIREMENT SYSTEM

General Information

All full-time employees participate in the Florida Retirement System (FRS). The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the Florida Retirement System Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost sharing multiple-employer defined benefit pension plan, to assist retired members of any state administered retirement system in paying the costs of health insurance.

Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000 or calling toll free at 877-377-1737. The report is also available at the Florida Department of Management Services web site www.dms.myflorida.com.

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

NOTE 7 – FLORIDA RETIREMENT SYSTEM (Continued)

Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System Pension Plan (FRSP) and the Florida Retirement System Health Insurance Subsidy Program and additions to/deduction from the FRSP and HIS fiduciary net position have been determined on the same basis as they are reported by FRSP and HIS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pension Plan

Plan Description

The FRS Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

- Regular Class
- Special Risk Class
- Elected Officials Class
- Senior Management Service Class

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service.

Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

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

NOTE 7 – FLORIDA RETIREMENT SYSTEM (Continued)

Pension Plan (Continued)

Benefits Provided

Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits.

The following table shows the percentage value for each year of service credit earned:

Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60%
Retirement at age 63 or with 31 years of service	1.63%
Retirement at age 64 or with 32 years of service	1.65%
Retirement at age 65 or with 33 or more years of service	1.68%
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60%
Retirement at age 66 or with 34 years of service	1.63%
Retirement at age 67 or with 35 years of service	1.65%
Retirement at age 68 or with 36 or more years of service	1.68%
Special Risk Class	
Service from December 1, 1970 through September 30, 1974	2.00%
Service on or after October 1, 1974	3.00%
Elected Officials Class	3.00%
Senior Management Service Class	2.00%

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011 will not have a cost-of-living adjustment after retirement.

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

NOTE 7 – FLORIDA RETIREMENT SYSTEM (Continued)

Pension Plan (Continued)

Contributions

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the fiscal year ended September 30, 2023 were as follows:

Class	10/01/22 through 06/30/23	07/01/23 through 09/30/23
Regular Class	11.91%	13.57%
Senior Management Service Class	31.57%	34.52%
Special Risk Class	27.83%	32.67%
Elected Official Class	57.00%	58.68%
DROP	18.60%	21.13%

The employer contribution rates include a 1.66% HIS Plan subsidy for the period from October 1, 2022 through June 30, 2023 and 2.00% for the period from July 1, 2023 through September 30, 2023. Except for the DROP, the rates also include 0.06% for administrative costs of the Public Employee Optional Retirement Program.

For the fiscal year ended September 30, 2023 the Town made contributions of \$409,036 to the Pension Plan and the Town's employees made contributions of \$52,869, for total contributions of \$461,905.

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

NOTE 7 – FLORIDA RETIREMENT SYSTEM (Continued)

Pension Plan (Continued)

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

At September 30, 2023, the Town reported a liability of \$3,806,005 for its proportionate share of the Pension Plan’s net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023. The Town’s proportionate share of the net pension liability was based on the Town’s 2022-23 plan year contributions relative to the 2022-23 plan year contributions of all participating members. At June 30, 2023, the Town's proportionate share was 0.009551587 percent, which was an increase of 0.000327892 percent from its proportionate share measured as of June 30, 2022.

For the fiscal year ended September 30, 2023, the Town recognized pension expense of \$835,025 related to the Plan. In addition the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 357,351	\$
Changes of assumptions	248,107	
Net difference between projected and actual earnings on investments	158,949	
Change in proportion and differences between Town contributions and proportionate share of contributions	228,944	183,113
Town Pension Plan contributions subsequent to the measurement date	115,932	
Total	<u>\$ 1,109,283</u>	<u>\$ 183,113</u>

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

NOTE 7 – FLORIDA RETIREMENT SYSTEM (Continued)

Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The deferred outflows of resources related to the Pension Plan, totaling \$115,932 resulting from Town contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Net Amortization
2024	\$ 149,773
2025	(15,594)
2026	592,347
2027	61,441
2028	22,271
Thereafter	<u>\$ 810,238</u>

Actuarial Assumptions

The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	July 1, 2023
Measurement date	June 30, 2023
Inflation	2.40 %
Salary increases	3.25%, average, including inflation
Investment rate of return	6.70%, net of pension plan investment expense, including inflation
Mortality	Generational PUB-2010 with Projection Scale MP-2018
Actuarial cost method	Individual Entry Age

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

NOTE 7 – FLORIDA RETIREMENT SYSTEM (Continued)

Pension Plan (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions that determined the total pension liability as of June 30, 2023, were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

The long-term expected rate of return assumption of 6.70% consists of two building block components: 1) a long term average annual inflation assumption of 2.4% as adopted in October 2023 by the FRS Actuarial Assumption Conference; 2) an inferred real (in excess of inflation) return of 4.2%, which is consistent with the 4.48% real return from the capital market outlook model developed by Aon for 2023. Geometrically combining those building blocks generates an expected nominal return of 6.7%. In the opinion of the FRS consulting actuary, both building block components and the overall 6.7% return assumption are reasonable and appropriate per Actuarial Standards of Practice.

For reference, the table below contains a summary of Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	(1) <u>Target Allocation</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	2.9%	2.9%	1.1%
Fixed Income	19.8%	4.5%	4.4%	3.4%
Global Equity	54.0%	8.7%	7.1%	18.1%
Real Estate	10.3%	7.6%	6.6%	14.8%
Private Equity	11.1%	11.9%	8.8%	26.3%
Strategic Investments	3.8%	6.3%	6.1%	7.7%
	<u>100.0%</u>			
Assumed Inflation - Mean			2.4%	1.4%

(1) As outlined in the Plan's investment policy

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

NOTE 7 – FLORIDA RETIREMENT SYSTEM (Continued)

Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2023 was 6.70%, which is the same as the rate as of June 30, 2022. The Pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the Town’s Proportionate Share of the Net Position Liability to Changes in the Discount Rate

The following represents the Town’s proportionate share of the net pension liability calculated using the discount rate of 6.70%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.70%) or one percentage point higher (7.70%) than the current rate:

	1% Decrease 5.70%	Current Discount Rate 6.70%	1% Increase 7.70%
Town's proportionate share of the net pension liability	\$ 6,501,441	\$ 3,806,005	\$ 1,550,960

Pension Plan Fiduciary Net Position

Detailed information regarding the Pension Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Annual Comprehensive Financial Report.

Payables to the Pension Plan

At September 30, 2023, the Town reported no payable for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2023.

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

NOTE 7 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy (HIS) Program

Plan Description

The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided

For the fiscal year ended September 30, 2023, eligible retirees and beneficiaries received a monthly HIS payment of \$7.50 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$45 and a maximum HIS payment of \$225 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2023, the HIS contribution was 1.66% for the period from October 1, 2022 through June 30, 2023 and 2.00% for the period from July 1, 2023 through September 30, 2023. The Town contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The Town's contributions to the HIS Plan totaled \$43,311 for the fiscal year ended September 30, 2023.

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

NOTE 7 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy (HIS) Program (Continued)

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

As of September 30, 2023, the Town reported a liability of \$1,041,017 for its proportionate share of the HIS Plan’s net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023. The Town’s proportionate share of the net pension liability was based on the Town’s 2022-23 plan year contributions relative to the 2022-23 plan year contributions of all participating members. At June 30, 2023, the Town's proportionate share was .006555000 percent, which was an increase of 0.000241519 percent from its proportionate share measured as of June 30, 2022.

For the fiscal year ended September 30, 2023, the Town recognized pension expense of \$413,341. In addition the Town reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 15,240	\$ 2,443
Changes of assumptions	27,368	90,208
Net difference between projected and actual earnings on investments	538	
Change in proportion and differences Town contributions and proportionate share of contributions	85,297	12,912
Town HIS Plan contributions subsequent to the measurement date	10,981	
Total	<u>\$ 139,424</u>	<u>\$ 105,563</u>

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

NOTE 7 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy (HIS) Program (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The deferred outflows of resources related to the HIS Plan, totaling \$10,981 resulting from Town contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Net Amortization
2024	\$ 15,356
2025	17,423
2026	7,339
2027	(12,003)
2028	(5,835)
Thereafter	600
	\$ 22,880

Actuarial Assumptions

The total pension liability in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions:

Valuation date	July 1, 2022
Measurement date	June 30, 2023
Inflation	2.40 %
Salary increases	3.25%, average, including inflation
Municipal bond rate	3.65%
Investment rate of return	N/A
Mortality	Generational PUB-2010 with Projection Scale MP-2018
Actuarial cost method	Individual Entry Age

The actuarial assumptions that determined the total pension liability as of June 30, 2023, were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

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

NOTE 7 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy (HIS) Program (Continued)

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2023 was 3.65%, which decreased from the discount rate of 3.54% as of June 30, 2022. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the Town’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the Town’s proportionate share of the net pension liability calculated using the discount rate of 3.65%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.65%) or one percentage point higher (4.65%) than the current rate:

	1% Decrease 2.65%	Current Discount Rate 3.65%	1% Decrease 4.65%
Town's proportionate share of the net pension liability	\$ 1,187,643	\$ 1,041,017	\$ 919,482

Pension Plan Fiduciary Net Position

Detailed information regarding the HIS Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Annual Comprehensive Financial Report.

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

NOTE 7 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy (HIS) Program (Continued)

Payables to the Pension Plan

At September 30, 2023, the Town reported no payable for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2023.

Summary Data

The following table provides a summary of significant information related to the Florida Retirement System defined benefit plans for the year ended September 30, 2023.

Description	Pension Plan	HIS Program	Total
Total pension liability	\$ 21,606,091	\$ 1,085,710	\$ 22,691,801
Plan fiduciary net position	17,800,086	44,693	17,844,779
Net pension liability (asset)	3,806,005	1,041,017	4,847,022
Deferred outflows of resources	1,109,283	139,424	1,248,707
Deferred inflows of resources	183,113	105,563	288,676
Pension expense (revenue)	835,025	413,341	1,248,366

Investment Plan

Plan Description

The Florida Retirement System Investment Plan is a defined contribution retirement plan qualified under Section 401(a) of the Internal Revenue Code. The Florida Legislature enacted the Plan during the 2000 legislative session, and amendments to the Plan can only be made by an act of the Florida Legislature. The Plan is administered by the State Board of Administration of Florida. The Investment Plan is reported in the SBA’s annual financial statements and in the State of Florida Annual Comprehensive Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Town employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature.

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

NOTE 7 – FLORIDA RETIREMENT SYSTEM (Continued)

Investment Plan (Continued)

Funding Policy

The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected Officers, etc.), as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of plan members.

Participating employers are required to make contributions based upon statewide contributions rates. The contribution rates by job class for the Town’s employees for the fiscal year ended September 30, 2023, are as follows:

Class	10/01/22 through 06/30/23	07/01/23 through 09/30/23
Regular Class	11.91%	13.57%
Senior Management Service Class	31.57%	34.52%
Special Risk Class	27.83%	32.67%
Elected Officials Class	57.00%	58.68%
DROP	18.60%	21.13%

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2023, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Town.

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

NOTE 7 – FLORIDA RETIREMENT SYSTEM (Continued)

Investment Plan (Continued)

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The Town's Investment Plan pension expense totaled \$112,811 for the fiscal year ended September 30, 2023.

NOTE 8 – DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Town employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Assets of the plan are invested in either mutual funds or insurance contracts. In 1998, the Plan was amended to conform to changes in the Internal Revenue Code brought about by the Small Business Job Protection Act of 1996 (the "Act"). The Act requires that eligible deferred compensation plans established and maintained by governmental employers be amended to provide that all assets of the plan be held in trust, or under one or more appropriate annuity contracts or custodial accounts, for the exclusive benefit of plan participants and their beneficiaries. As a result of this change, plan assets are no longer subject to the claims of the Town's general creditors.

Because the Town has little administrative involvement and does not perform the investing function for funds in the Plan, the Town's activities do not meet the criteria for inclusion in the fiduciary funds of a government.

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

NOTE 9 – INTERLOCAL AGREEMENTS

Interlocal Fire and EMS Service Agreement with the City of Boynton Beach

On October 1, 2016, the Town entered into a new agreement with the City of Boynton Beach to continue the provision of fire rescue and emergency medical service. The term of the agreement is for 12 years commencing on October 1, 2016 and ending September 30, 2028. For the year ended September 30, 2023, the Town paid \$1,369,597 pursuant to the agreement.

The parties agree to negotiate in good faith an adjustment to the annual fee which may be necessary to offset any increased costs incurred by the City for providing the services and programs due to unfunded mandates specifically directed toward the provision of fire rescue services, of the Federal, State, or County government and to address any unforeseen events or contingencies. The parties agree that the Town shall not be charged an amount greater than 5% of the annual fee on an annual basis due to any unfunded mandates. The parties further agree that in no event shall any increases due to unfunded mandates exceed 10% in a three year period.

In addition to the adjustments due to unfunded mandates, the annual fee for each succeeding year of the agreement shall be determined by incorporating the May All Urban Consumer Price Index for the Miami-Ft. Lauderdale region or an increase of 4%, whichever is greater.

Interlocal Law Enforcement Services Agreement with the Town of Briny Breezes

On October 1, 2019, the Town entered into an agreement with the Town of Briny Breezes to provide professional law enforcement services within the territorial boundaries of the municipality of Briny Breezes in substantially the same manner and form as that provided by the Town for its own citizens. The term of the agreement is for 3 years commencing on October 1, 2019 and ending September 30, 2022. The agreement can be extended for an additional term or terms based on an agreement between the parties. The Town of Briny Breezes may terminate this agreement without cause upon providing written notice to the Town of Ocean Ridge at least 6 months prior to the effective date of the termination. For the year ending September 30, 2022, the compensation pursuant to the agreement was \$190,962.

In June 2022, the agreement was extended for a three-year period commencing on October 1, 2022 and ending September 30, 2025. Briny Breezes shall pay compensation in the amounts of \$196,691, \$202,591, and \$208,668 for the years ending September 30, 2023, 2024, and 2025, respectively. Compensation shall be paid in twelve equal installments on the first day of each month throughout the term of the agreement.

In December 2022, the agreement was amended to provide professional law enforcement services as well as citation method code enforcement services within the territorial boundaries of the municipality of Briny Breezes in substantially the same manner and form as that provided by Ocean Ridge for its own citizens.

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

NOTE 9 – INTERLOCAL AGREEMENTS (Continued)

Interlocal Agreement for Climate Change Vulnerability Assessment

On December 17, 2019, the Town entered into an interlocal agreement with the City of Boca Raton, the City of Boynton Beach, the City of Delray Beach, the Town of Highland Beach, the City of Lake Worth Beach, the Town of Lantana, and Palm Beach County to obtain a Climate Change Vulnerability Assessment of certain geographic areas within the municipalities. The total project budget is \$366,797, and the share of the cost to be provided by the Town of Ocean Ridge is \$22,636.

Interlocal Agreement for Public Safety Radio System and Radio Maintenance Services

On September 26, 2017, the Town entered into an interlocal agreement with Palm Beach County for Direct Access to the County's Public Safety Trunked Radio System and Radio Maintenance Services. On October 22, 2019, the agreement was amended and restated. The initial term of the amended agreement is for five years commencing on October 22, 2019. The agreement may be renewed for two additional terms of five years each upon the approval of both parties. The agreement may be terminated by either party with or without cause. Any termination shall be effective only on October 1st of any year and shall be with a minimum of six months notice.

Under the terms of the agreement, the Town, will pay a one-time system access charge for each subscriber unit on the system in the amount of \$3,234 per unit. The Town will pay the County an annual maintenance charge of \$176.72 per unit for maintenance of the System. The Town will also pay the County \$334.88 per unit per year for a System Renewal and Replacement Fund contribution. For the year ended September 30, 2023, the Town made payments in the amount of \$13,906 pursuant to the agreement.

NOTE 10 – 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.

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

NOTE 10 – RISK MANAGEMENT (Continued)

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 11 – COMMITMENTS AND CONTINGENCIES

Inspection Services

On August 1, 2012, the Town entered into an agreement with Hy-Byrd Incorporated to perform the services of building official and/or inspection services. The agreement was for a three year term and expired on August 1, 2015. The agreement was renewed for an additional three year term that expired on August 1, 2018. The agreement was renewed for an additional one year term that expires on August 1, 2019. In September 2019, the Town renewed the agreement for an additional one year term ending August 1, 2020. On July 6, 2020, the Town renewed the agreement for an additional one year term that expired August 1, 2021. In August 2021, the Town entered into a new agreement with Hy-Byrd for a three year term ending August 1, 2024, with an option to renew. The agreement may be terminated by either party with thirty days written notice. Under the terms of the agreement, the Town pays Hy-Byrd a specified fee for plan review and building inspection services. Other standard building official services are paid based on an hourly rate. The Town is invoiced monthly for services performed. For the year ended September 30, 2023, the Town incurred costs of \$110,409 for inspection services pursuant to the agreement.

Solid Waste and Recycling Collection Services

Effective October 1, 2009, the Town entered into an agreement with Republic Services of Florida, Limited Partnership (Republic) for solid waste and recycling collection services. The agreement is for a five year term ending September 30, 2014, with an option to renew for an additional five years. In June 2014, the Town exercised the option to renew the agreement for an additional five year term ending September 30, 2019. In September 2019, the Town renewed the agreement for an additional five year term ending September 30, 2024. On November 4, 2019, the parties entered into an amendment to the agreement to allow Republic to transfer its assets in Palm Beach County to Waste Pro of Florida, Inc. (Waste Pro), and the agreement was assigned to Waste Pro effective November 15, 2019. Under the terms of the agreement, the Town pays an established rate per month per unit picked up curbside or containerized. Waste Pro bills the Town monthly for services provided. For the year ended September 30, 2023, the Town made payments of \$301,985 pursuant to the agreement.

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

NOTE 11 – COMMITMENTS AND CONTINGENCIES (Continued)

Storm Debris Management

On July 12, 2010, the agreement was amended to include debris management support services for storm debris in the event of a natural disaster. Under the terms of the agreement, Waste Pro will collect construction and vegetative debris curbside resulting from a natural disaster impacting the Town and any other areas agreed to by both parties. Waste Pro will be the exclusive provider for collection of disaster debris resulting from a natural disaster impacting the Town.

Law Enforcement Services Agreement Gulf Stream Views Condominium Association

In June 2023 the Town entered into an agreement with the Gulf Stream Views Condominium Association (“GSVC”) to provide law enforcement services to GSVC in substantially the same manner and form as provided to the Towns of Ocean Ridge and Briny Breezes. The term of the agreement is for a period of three years commencing in August 2023. The Town and GSVC may agree to extend the term of the agreement by written amendment signed by both parties. Either party may terminate the agreement at any time with or without cause by giving not less than thirty days written notice of termination. GSVC shall pay compensation in the amount of \$25,000 annually. For the year ended September 30, 2023, compensation pursuant to the agreement was \$4,167.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Town provides a single employer defined benefit health care plan to all of its employees. The plan allows its employees and their beneficiaries to continue to obtain health benefits upon retirement. The benefits of the plan are in accordance with Florida Statutes, which are the legal authority for the plan. A trust has not been established to fund the plan. The plan has no assets and does not issue a separate financial report.

Contributions

The Town does not directly make a contribution to the plan on behalf of retirees. Retirees and their beneficiaries pay the same group rates as are charged to the Town for active employees by its healthcare provider. However, the Town’s actuaries in their actuarial valuation, calculate an offset to the cost of these benefits as an Employer Contribution, based upon an implicit rate subsidy. This offset equals the total age-adjusted costs paid by the Town or its active employees for coverage of the retirees and their dependents for the year net of the retiree’s own payments for the year.

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

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS (Continued)

Plan Membership

The following table provides a summary of the participants in the plan as of September 30, 2021, the latest valuation date:

Active plan members	28
Inactive plan members or beneficiaries currently receiving benefits	
Inactive plan members or beneficiaries entitled to but not yet receiving benefits	28

Discount Rate

The Town does not have a dedicated trust to pay retiree healthcare benefits. For plans that do not have assets held in a dedicated trust, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. As of the measurement date of September 30, 2023, the rate was 4.87% based on the high-quality municipal bond rate based on the week closest to but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody’s Investors Service’s Aa2 rating and Standard & Poor’s Corporation’s AA rating.

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

As of September 30, 2023, the Town reported a total OPEB liability of \$124,307. For the fiscal year ended September 30, 2023, the Town recognized OPEB expense of \$16,055. As of September 30, 2023, the Town did not report any deferred outflows of resources or deferred in flows of resources related to OPEB.

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

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Total OPEB Liability

The components of the total OPEB liability as of September 30, 2023 were as follows:

Description	Total OPEB Liability
Balance September 30, 2022	\$ 112,575
Changes for the year:	
Service cost	10,085
Interest	5,787
Difference between expected and actual experience	-
Changes of assumptions	(1,442)
Benefit payments	(2,698)
Net change	11,732
Balance September 30, 2023	\$ 124,307
Covered-employee payroll	\$2,150,009
Total OPEB liability as a percentage of covered-employee payroll	5.78%

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following table presents the total OPEB liability of the Town calculated using the single discount rate of 4.87% as well as what the Town's total OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current rate.

Discount Rate Sensitivity	1% Decrease 3.87%	Discount Rate 4.87%	1% Increase 5.87%
Total OPEB Liability	\$ 139,839	\$ 124,307	\$ 111,079

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

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Trend Rates

The following table presents the total OPEB liability of the Town calculated using the assumed trend rates (7.50% decreasing to 4.00%) as well as what the Town’s total OPEB liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher than the assumed trend rates.

Healthcare Trend Rates Sensitivity	1% Decrease 3.00% - 6.50%	Healthcare Cost Trend Rates 4.00% - 7.50%	1% Decrease 5.00% - 8.50%
Total OPEB Liability	\$ 107,073	\$ 124,307	\$ 145,255

Actuarial Methods and Assumptions

The total OPEB liability was calculated using the Alternative Measurement Method in accordance with the GASB No. 75 methodology.

Significant methods and assumptions were as follows:

Valuation date	September 30, 2021
Measurement date	September 30, 2023
Actuarial cost method	Entry Age Cost Method
Inflation	2.50%
Discount rate	4.87%
Retirement rates	100% at age 60
Mortality tables	PubG-2010 Mortality Tables projected to the valuation date using Projection Scale MP-2019
Healthcare cost trend rates	Initially 7.50% trending to 4.00% in 55 years
Marital status	100% married with male spouses 3 years older than female spouses
Healthcare participation	20% participation with 50% electing spouse coverage

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

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in Assumptions

The discount rate was changed from 4.77% as of the beginning of the measurement period to 4.87% as of September 30, 2023. This change is reflected in the schedule of changes in total OPEB liability.

NOTE 13 – LEASES

In February 2023, the Town entered into a non-cancellable lease agreement with Ford Motor Credit LLC (“Lessor”) to obtain the right-to-use six vehicles. The lease is for a term of 5 years. The Town has an option to purchase the vehicles on the last day of the lease term, as well as at any time upon at least 30 days prior written notice to Lessor at a price equal to the sum of (a) the Concluding Payment for the immediately preceding lease payment date, (b) the accrued interest portion of the next lease payment date, and (c) any other amounts then due under the lease. The annual rent is \$55,691.

At September 30, 2023, the Town reported a lease liability of \$187,410 for the vehicles. The discount rate is 7.29%. The following is a schedule of the future minimum lease payments as of September 30, 2023:

Year Ended September 30	Principal	Interest	Annual Payment	Concluding Payment
2024	\$ 42,029	\$ 13,662	\$ 55,691	\$ 145,380
2025	45,093	10,598	55,691	100,288
2026	48,380	7,311	55,691	51,908
2027	51,908	3,783	55,691	1
	<u>\$ 187,410</u>	<u>\$ 35,354</u>	<u>\$ 222,764</u>	

NOTE 14 – SBITA

As discussed in Note 1, the Town implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* for the fiscal year ended September 30, 2023. The Town has recorded two multi-year subscription-based information technology arrangements totaling \$117,718. The Town discounted the future minimum payments using its estimated incremental borrowing rate of 4.0%.

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

NOTE 14 – SBITA (Continued)

The SBITAs are a cloud-based digital evidence platform and an automatic license plate detection system for the Police Department. The annual payments are \$12,935 and \$20,000, respectively. The future minimum payments and the present value of the future minimum payments as of September 30, 2023 are as follows:

<u>Year Ended</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual</u> <u>Payment</u>
2024	\$ 29,534	\$ 3,401	\$ 32,935
2025	17,780	2,220	20,000
2026	18,491	1,509	20,000
2027	19,231	769	20,000
	<u>\$ 85,036</u>	<u>\$ 7,899</u>	<u>\$ 92,935</u>

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, July 15, 2024. In April 2024, the Town awarded a contract in the amount of \$2,483,991 for the North Ocean Boulevard Water Main Pipe Enhancements Project. No subsequent events occurring after July 15, 2024 have been evaluated for inclusion in these financial statements.

TOWN OF OCEAN RIDGE, FLORIDA
Required Supplementary Information (RSI)
Schedule 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				
Property taxes	\$ 7,285,550	\$ 7,285,550	\$ 7,201,808	\$ (83,742)
Utility service taxes	456,000	456,000	524,445	68,445
Gasoline taxes	54,500	54,500	57,539	3,039
1/2 Cent sales tax	165,000	165,000	188,713	23,713
Infrastructure surtax	150,000	150,000	178,810	28,810
Local business tax	1,300	1,300	819	(481)
Electric franchise fee	196,000	196,000	248,441	52,441
State shared revenues	52,140	52,140	65,473	13,333
Local shared revenues	8,700	8,700	27,333	18,633
Licenses and permits	904,300	904,300	667,466	(236,834)
Fines and forfeitures	26,950	26,950	36,651	9,701
Charges for services	669,191	669,191	629,083	(40,108)
Interest	33,000	33,000	88,843	55,843
Grants	27,500	27,500	490,340	462,840
Contributions	500	500	74	(426)
Miscellaneous revenues	16,000	16,000	2,479	(13,521)
Total revenues	<u>10,046,631</u>	<u>10,046,631</u>	<u>10,408,317</u>	<u>361,686</u>
Expenditures				
Town commission	51,412	51,412	29,416	21,996
Town manager	223,586	223,586	216,828	6,758
Town clerk/finance	357,073	380,073	389,883	(9,810)
Legal	338,000	338,000	144,371	193,629
Appointed boards	4,370	6,870	7,490	(620)
Other general government	1,209,351	1,206,851	1,136,035	70,816
Law enforcement	4,862,680	4,862,680	4,474,615	388,065
Protective inspections	700,648	746,648	564,612	182,036
Solid waste	302,500	302,500	301,985	515
Other physical environment	534,217	534,217	275,784	258,433
Public works	422,384	422,384	315,729	106,655
Contingency	150,000	150,000	71,402	78,598
Total expenditures	<u>9,156,221</u>	<u>9,225,221</u>	<u>7,928,150</u>	<u>1,297,071</u>
Excess (deficiency) of revenues over (under) expenditures	890,410	821,410	2,480,167	1,658,757
Other financing sources (uses)				
Insurance proceeds	5,000	5,000		(5,000)
Proceeds from sale of capital assets			21,622	21,622
Transfers out	(931,000)	(931,000)	(5,388)	925,612
Total other financing sources (uses)	<u>(926,000)</u>	<u>(926,000)</u>	<u>16,234</u>	<u>942,234</u>
Net change in fund balances	<u>\$ (35,590)</u>	<u>\$ (104,590)</u>	2,496,401	<u>\$ 2,600,991</u>
Fund balance, beginning of year			<u>6,618,948</u>	
Fund balance, end of year			<u>\$ 9,115,349</u>	

See notes to the budgetary comparison schedule

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Budgetary Comparison Schedule
Required Supplementary Information (RSI)
General Fund
September 30, 2023

Note 1 - Basis of Accounting

A budgetary comparison schedule is presented for the General Fund, as required by generally accepted accounting principles. The budgetary process is described in Note 2 to the financial statements on page 28. Budgets are adopted on a basis consistent with generally accepted accounting principles.

Note 2 - Stewardship, Compliance, and Accountability

Formal budgetary integration is employed within the accounting system as a management control device. Appropriations are legally controlled at the departmental level, and expenditures may not legally exceed budgeted appropriations at that level. For the year ended September 30, 2023, the following departments had expenditures in excess of appropriations:

Town clerk/finance	\$ 9,810
Appointed boards	\$ 620

TOWN OF OCEAN RIDGE, FLORIDA
Required Supplementary Information
Schedule of Changes in Total Other Postemployment Benefits (OPEB) Liability
For the Fiscal Year Year Ended September 30, 2023

Actuarial Valuation Date	09/30/2017	09/30/2019	09/30/2019	09/30/2019	09/30/2021	09/30/2021
Measurement Date	09/30/2018	09/30/2019	09/30/2020	09/30/2021	09/30/2022	09/30/2023
Employer's Reporting Date	09/30/2018	09/30/2019	09/30/2020	09/30/2021	09/30/2022	09/30/2023
	2018	2019	2020	2021	2022	2023
Total OPEB liability - beginning	\$ 106,303	\$ 112,671	\$ 131,394	\$ 136,542	\$ 148,912	\$ 112,575
Changes for the year:						
Service cost	11,521	11,024	13,922	15,200	13,065	10,085
Interest	4,220	5,087	4,620	3,232	3,430	5,787
Difference between expected and actual experience			(15,529)		(19,564)	
Changes of assumptions	(5,630)	6,683	3,597	(4,646)	(30,743)	(1,442)
Benefit payments	(3,743)	(4,071)	(1,462)	(1,416)	(2,525)	(2,698)
Net change in total OPEB liability	<u>6,368</u>	<u>18,723</u>	<u>5,148</u>	<u>12,370</u>	<u>(36,337)</u>	<u>11,732</u>
Total OPEB liability - ending	<u>\$ 112,671</u>	<u>\$ 131,394</u>	<u>\$ 136,542</u>	<u>\$ 148,912</u>	<u>\$ 112,575</u>	<u>\$ 124,307</u>
Covered-employee payroll	\$ 1,789,573	\$ 1,764,029	\$ 2,017,278	\$ 2,067,710	\$2,097,570	\$2,150,009
Total OPEB liability as a percentage of covered-employee payroll	6.30%	7.45%	6.77%	7.20%	5.37%	5.78%

Changes in Assumptions

The discount rate changed as follows:

September 30, 2017 measurement date	3.64%
September 30, 2018 measurement date	4.18%
September 30, 2019 measurement date	3.58%
September 30, 2020 measurement date	2.14%
September 30, 2021 measurement date	2.43%
September 30, 2022 measurement date	4.77%
September 30, 2023 measurement date	4.87%

For the September 30, 2019 valuation date, the mortality assumption changed from RP-2000 Combined Healthy Mortality Tables projected to the valuation date using Projection Scale AA to PubG-2010 Mortality Tables projected to the valuation date using Projection Scale MP-2019. Health care costs, premiums, and cost trends were also updated.

This schedule is intended to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for those years for which information is available. No assets are accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4, to pay related benefits.

TOWN OF OCEAN RIDGE, FLORIDA
Required Supplementary Information
Schedule of Employer Contributions
Florida Retirement System
Pension Plan
Last Ten Fiscal Years

Fiscal Year Ended September 30	Town's Contractually Required Contribution	Town's Contributions In Relation to the Contractually Required Contribution	Contribution Excess (Deficiency)	Town's Covered Payroll	Town's Contributions As a Percent of Covered Payroll
2014	\$ 156,275	\$ 156,275	\$	\$ 1,221,158	12.80%
2015	\$ 171,110	\$ 171,110	\$	\$ 1,359,472	12.59%
2016	\$ 196,937	\$ 196,937	\$	\$ 1,581,927	12.45%
2017	\$ 196,279	\$ 196,279	\$	\$ 1,469,652	13.36%
2018	\$ 205,927	\$ 205,927	\$	\$ 1,428,799	14.41%
2019	\$ 256,408	\$ 256,408	\$	\$ 1,686,211	15.21%
2020	\$ 316,275	\$ 316,275	\$	\$ 1,733,960	18.24%
2021	\$ 337,749	\$ 337,749	\$	\$ 1,778,136	18.99%
2022	\$ 351,679	\$ 351,679	\$	\$ 1,770,634	19.86%
2023	\$ 409,036	\$ 409,036	\$	\$ 1,873,049	21.84%

TOWN OF OCEAN RIDGE, FLORIDA
Required Supplementary Information
Schedule of Employer Contributions
Florida Retirement System
Pension Plan
Last Ten Fiscal Years

Fiscal Year Ended September 30	Town's Proportion of the Net Pension Liability	Town's Proportionate Share of the Net Pension Liability	Town's Covered Payroll	Town's Proportionate Share of the Net Pension Liability As a Percent of Covered Payroll	Plan Fiduciary Net Position As a Percent of the Total Pension Liability
2014	0.007134472%	\$ 435,308	\$ 1,196,497	36.38%	96.09%
2015	0.007018222%	\$ 906,497	\$ 1,307,878	69.31%	92.00%
2016	0.008331117%	\$ 2,103,614	\$ 1,516,677	138.70%	84.88%
2017	0.007999939%	\$ 2,366,328	\$ 1,470,021	160.97%	83.89%
2018	0.008260829%	\$ 2,488,205	\$ 1,426,675	174.41%	84.26%
2019	0.008809258%	\$ 3,033,703	\$ 1,593,397	190.39%	82.61%
2020	0.010348841%	\$ 4,485,340	\$ 1,749,885	256.32%	78.85%
2021	0.009845397%	\$ 743,708	\$ 1,790,293	41.54%	96.40%
2022	0.009223695%	\$ 3,431,956	\$ 1,743,139	196.88%	82.89%
2023	0.009551587%	\$ 3,806,005	\$ 1,919,942	198.24%	82.38%

Changes in Assumptions

The discount rate changed as follows:

2014	7.65%
2015	7.65%
2016	7.60%
2017	7.10%
2018	7.00%
2019	6.90%
2020	6.80%
2021	6.80%
2022	6.70%
2023	6.70%

For 2019, the mortality assumption changed from Generational RP-2000 with Projection Scale BB to PUB-2010 base table projected generationally with Scale MP-2018.

The amounts presented for each fiscal year were determined as of the June 30 measurement date. The Plan's fiduciary net position as a percentage of the total pension liability is published in the Plan's Annual Comprehensive Financial Report.

TOWN OF OCEAN RIDGE, FLORIDA
Required Supplementary Information
Schedule of Employer Contributions
Florida Retirement System
Retiree Health Insurance Subsidy Program
Last Ten Fiscal Years

Fiscal Year Ended September 30	Town's Contractually Required Contribution	Town's Contributions In Relation to the Contractually Required Contribution	Contribution Excess (Deficiency)	Town's Covered Payroll	Town's Contributions As a Percent of Covered Payroll
2014	\$ 15,829	\$ 15,829	\$	\$ 1,508,066	1.05%
2015	\$ 19,816	\$ 19,816	\$	\$ 1,564,087	1.27%
2016	\$ 27,780	\$ 27,780	\$	\$ 1,786,534	1.55%
2017	\$ 26,867	\$ 26,867	\$	\$ 1,726,149	1.56%
2018	\$ 27,708	\$ 27,708	\$	\$ 1,772,868	1.56%
2019	\$ 33,533	\$ 33,533	\$	\$ 2,080,649	1.61%
2020	\$ 35,825	\$ 35,825	\$	\$ 2,158,143	1.66%
2021	\$ 37,969	\$ 37,969	\$	\$ 2,287,293	1.66%
2022	\$ 38,861	\$ 38,861	\$	\$ 2,341,039	1.66%
2023	\$ 43,311	\$ 43,311	\$	\$ 2,494,720	1.74%

TOWN OF OCEAN RIDGE, FLORIDA
Required Supplementary Information
Schedule of Employer Contributions
Florida Retirement System
Retiree Health Insurance Subsidy Program
Last Ten Fiscal Years

Fiscal Year Ended September 30	Town's Proportion of the Net Pension Liability	Town's Proportionate Share of the Net Pension Liability	Town's Covered Payroll	Town's Proportionate Share of the Net Pension Liability As a Percent of Covered Payroll	Plan Fiduciary Net Position As a Percent of the Total Pension Liability
2014	0.004620836%	\$ 432,059	\$ 1,476,131	29.27%	0.99%
2015	0.004726211%	\$ 481,999	\$ 1,539,701	31.30%	0.50%
2016	0.005174263%	\$ 603,039	\$ 1,704,977	35.37%	0.97%
2017	0.000049353%	\$ 527,700	\$ 1,676,168	31.48%	1.64%
2018	0.005112213%	\$ 541,082	\$ 1,777,367	30.44%	2.15%
2019	0.005641696%	\$ 631,249	\$ 1,976,174	31.94%	2.63%
2020	0.006194184%	\$ 756,300	\$ 2,149,826	35.18%	3.00%
2021	0.006470019%	\$ 793,645	\$ 2,290,521	34.65%	3.56%
2022	0.006313481%	\$ 668,698	\$ 2,300,835	29.06%	4.81%
2023	0.006554971%	\$ 1,041,017	\$ 2,591,404	40.17%	4.12%

Changes in Assumptions

The discount rate changed as follows:

2014	4.29%
2015	3.80%
2016	2.85%
2017	3.58%
2018	3.87%
2019	3.50%
2020	2.21%
2021	2.16%
2022	3.54%
2023	3.65%

The amounts presented for each fiscal year were determined as of the June 30 measurement date. The Plan's fiduciary net position as a percentage of the total pension liability is published in the Plan's Annual Comprehensive Financial Report.



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 Commission
Town of Ocean Ridge, 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, each major fund, and the aggregate remaining fund information of the Town of Ocean Ridge, 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 Ridge, Florida’s basic financial statements and have issued our report thereon dated July 15, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Ocean Ridge, 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 Ridge, Florida’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Ocean Ridge, 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 Ridge, 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is described below.

Finding 2022-1

Condition: We noted that the audit report and the Annual Financial Report filed with the Florida Department of Financial Services were not filed by the due date.

Criteria: Florida Statutes require audit reports for local governmental entities and the Annual Financial Report to be filed within nine months of the fiscal year end. The Town's reports were due June 30, 2024.

Effect: Noncompliance with reporting requirements.

Recommendation: We recommend that the Town review the financial reporting process and make any changes required to facilitate the timely preparation of financial reports.

Management Response: In January 2024, the Town implemented new accounting software. As part of the implementation process data from the old accounting software was transferred to the new accounting software. The data transfer included activity for the fiscal year ended September 30, 2023. During the audit, it was determined that certain accounting transactions were not transferred properly. Additional time was required to resolve this issue. Also, during the fiscal year ended September 30, 2023, the Town was required to implement Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Implementation of this new standard required substantial time. These two issues resulted in the audit report and the Annual Financial Report being completed after the due date. Management will review all procedures for the preparation of financial reports to ensure the Town is in compliance with reporting deadlines in the future. Now that the data issues have been resolved, it is anticipated that the Town's new accounting software will facilitate the preparation of more timely accounting information in the future.

Town's Response to Findings

The Town of Ocean Ridge, Florida's response to the findings identified in our audit is presented above. Their response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 & Mimes, P.A.

West Palm Beach, Florida
July 15, 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

To the Honorable Mayor and Member of the Town Commission
Town of Ocean Ridge, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Ocean Ridge, Florida, as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated July 15, 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 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 July 15, 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. Finding 2022-1 made in the preceding financial audit report still applies. Corrective actions have been taken to address Finding 2022-2 made in the preceding financial audit report and it no longer applies.

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 Ridge, 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 Ridge, 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 Ridge, 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 Ridge, Florida. It is management's responsibility to monitor the Town of Ocean Ridge, 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 have the following recommendation.

Recommendation 2023-1

Condition: We noted that the appropriate personnel did not complete the investment continuing education as required by the Town's investment policy and Florida Statutes.

Recommendation: We recommend that the appropriate personnel complete eight hours of continuing education in subjects or courses of study related to investment practices and products.

Management Response: The Town will ensure all appropriate personnel complete all investment continuing education as required by the Town's investment policy and Florida Statutes.

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 Ridge, 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.

Town's Response to Recommendation

The Town of Ocean Ridge, Florida's response to the recommendation identified in our audit is presented above. Their response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Commission, and applicable management, 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
July 15, 2024



NOWLEN, HOLT & MINER, P.A.

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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 Commission
Town of Ocean Ridge, Florida

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

In our opinion, the Town of Ocean Ridge, 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 Commission, 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
July 15, 2024