



Town of Orchid, Florida
FINANCIAL STATEMENTS
Year Ended September 30, 2024





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**Town of Orchid, Florida
Town Officials
As of September 30, 2024**

Robert Gibbons
Mayor

Paul Knapp
Vice-Mayor

Mary Jane Benedetto
John Heanue
Jim Raphalian
Council Members

D. Jonathan Rhodeback
Town Attorney

Cherry Stowe
Town Manager

Jane Garcia
Town Clerk



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CARR, RIGGS & INGRAM, L.L.C.

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Orchid, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, and the major fund of the Town of Orchid, Florida, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Town of Orchid, Florida's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Town of Orchid, Florida, as of September 30, 2024, and the respective changes in financial position, and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Orchid, Florida and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

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 aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9-16, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2025, on our consideration of the Town of Orchid, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Orchid, Florida's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Orchid, Florida's internal control over financial reporting and compliance.

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

Melbourne, Florida
February 17, 2025



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Town of Orchid, Florida
Management's Discussion and Analysis
September 30, 2024

The purpose of the Management's Discussion and Analysis (MD&A) is to give an objective and easily readable analysis of the Town of Orchid's (the "Town") financial performance for the fiscal year ended September 30, 2024, and to serve as an introduction to the audited financial statements. The MD&A also includes information on significant variations from budget and prior year actual.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of fiscal year 2024 by \$4,102,431 (net position). Of this amount, \$3,485,545 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased from the prior year by a net amount of \$1,401,617. Pursuant to an interlocal agreement, the Town received a significant reimbursement of \$978,596 from Indian River County for the costs of emergency dune repair projects undertaken by the Town within its boundaries following Hurricanes Matthew, Irma, and Dorian. Additionally, Orchid's Town Hall was moved to a new location from which to better serve and represent the community, following which the former building in which Town Hall was located was sold, from which a gain on the sale of fixed assets of \$235,411 was recognized. Another boon to the Town's revenues were the high interest rates offered on the governmental checking account the Town holds with its qualified public depository, as interest revenue at \$155,718 was almost double of what was budgeted in this category.
- During fiscal year 2024, the Town entered into a lease agreement for office space to which its administrative offices were moved in March of the same year. In accordance with Governmental Accounting Standards Board (GASB) Statement 87, the lease for Town Hall is recognized in the Town's financials as a long-term liability and associated lease payments are disclosed as debt service. The Town did not receive any cash proceeds, and utilized an implicit interest rate.
- At the close of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$3,545,905; an increase of \$1,480,791 from the prior year. Of this total amount, \$3,435,179 is unassigned fund balance (reserves).

Town of Orchid, Florida
Management's Discussion and Analysis
September 30, 2024

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

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

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

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

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

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

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

Town of Orchid, Florida
Management's Discussion and Analysis
September 30, 2024

Government-Wide Financial Analysis

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

	Net Position	
	Governmental Activities	
	2024	2023
Assets		
Current and other assets	\$ 3,603,819	\$ 2,085,245
Capital assets, net	818,730	642,977
Total assets	\$ 4,422,549	\$ 2,728,222
Liabilities		
Long-term liabilities outstanding	\$ 299,379	\$ 7,277
Other liabilities	20,739	20,131
Total liabilities	320,118	27,408
Net position		
Investment in capital assets	528,527	642,977
Restricted	88,359	-
Unrestricted	3,485,545	2,057,837
Total net position	\$ 4,102,431	\$ 2,700,814

As of September 30, 2024, the Town's assets exceeded its liabilities by \$4,102,431. The Town's net investment in capital assets as of September 30, 2024 was \$528,527 or 12.88% of net position. These capital assets of the Town consist of 109 streetlights along the roads within the Town, as well as furniture, fixtures and equipment for the operation of Town Hall, and a dune restoration project completed in fiscal year 2023. Restricted net position represents excess discretionary sales tax at September 30, 2024.

Town of Orchid, Florida
Management's Discussion and Analysis
September 30, 2024

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

	Change in Net Position Governmental Activities	
	2024	2023
Program revenues:		
Charges for services	\$ 84,970	\$ 76,040
General revenues:		
Property taxes	538,109	536,255
Intergovernmental	1,211,126	417,245
Interest earnings	155,718	105,018
Other revenue	17,396	5,564
Gain on disposal of capital assets	235,411	-
Total revenues	2,242,730	1,140,122
Expenses:		
General government	717,421	540,874
Public works	123,692	90,164
Total expenses	841,113	631,038
Change in net position	1,401,617	509,084
Net position:		
Beginning of year	2,700,814	2,191,730
End of year	\$ 4,102,431	\$ 2,700,814

Charges for Services. In 2024, charges for services (licenses and permits) revenue increased \$8,930 from the prior year. The majority of this revenue comes from the issuance of building permits, which are issued for new construction, additions, renovations, and demolitions, as well as repairs, replacements and trade work pursuant to the Florida Building Code. This Building Department revenue is restricted by state law and may only be used for enforcement of the Florida Building Code.

Property Taxes. Each year during the budget process, the millage rate is adjusted to ensure anticipated expenditures are covered by total revenues. The Town’s millage rate decreased from 1.10 in 2023 to 1.00 in 2024. Although the tax rate was lowered, the overall receipts in this category were slightly higher than in the prior year due to increased property values within the Town, as determined by the Indian River County Property Appraiser.

Intergovernmental. There was an increase of \$793,881 in the overall intergovernmental revenue from the previous year largely due to the aforementioned reimbursement of \$978,596 from Indian River County for the costs of emergency dune repair projects undertaken by the Town in 2017, 2018 and 2020. Additionally, the Florida Department of Environmental Protection issued the Town an \$80,000 grant for the completion of a statutorily compliant Vulnerability Assessment; a portion of those funds were received on a reimbursement basis during fiscal year 2024. The more common type of intergovernmental revenue the Town receives regards a variety of revenue received through the

Town of Orchid, Florida
Management's Discussion and Analysis
September 30, 2024

distribution of the Florida Department of Revenue, primarily on a monthly basis. The Town's population, which is a factor in some formulas for state revenue distribution, did not change significantly.

Interest Earnings. During fiscal year 2024, the Town's interest earnings increased \$50,700 from the prior year. For most of fiscal year 2024, in an effort to continue to slow inflation, the Federal Reserve kept interest rates significantly above the target rate of about 2%. The Town's deposited funds earned higher rates of interest as an indirect result. The Town's funds are readily available and protected under the Florida Security for Public Deposits Act. Additionally, the Town carried a higher balance in its bank account during the year due to several large deposits which also attributed to higher interest earnings, these included for example the reimbursement from Indian River County and the sale of the former Town Hall.

Gain on disposal of capital assets. The Town moved its administrative offices to a new location during fiscal year 2024 and subsequently sold the unit in which Town Hall had been housed for \$282,089 (net of closing costs). The former facility had been purchased in 2013 for \$87,545. Additionally, the Town was successful in selling some of the furniture and fixtures too. Overall, the Town achieved a gain of \$235,411 on the sale of capital assets.

General Government. Within the variety of line items covered by General Government costs, the year saw increases and decreases in comparison with the prior fiscal year. By the end of the fiscal year 2024, the overall sum of these costs was \$176,547 higher than at the end of fiscal year 2023.

Included in this category are the costs associated with the Town's human resources (salaries and wages and benefits), which altogether increased \$32,646. Multiple factors were influential, but particularly noteworthy are the increased salary and wages due to raises approved for all three staff members as well as a higher starting salary for the new Town Clerk who joined the team in March, resulting in a difference of \$26,099. This in turn increased the Town's contribution to fulltime staff members' 401a retirement plans, as its level is directly linked to their salaries (7.5%). Health insurance coverage for both fulltime positions at Town Hall was only applicable for five months of the year; staff turnover in the position of the Town Clerk resulted in seven months of coverage for only the Town Manager, which means that this expense category was lower than would have been the case had the Town enjoyed full staffing levels for the entirety of the year.

The cost of professional services under General Government increased by \$61,304, which is largely attributable to the costs of the ongoing Vulnerability Assessment by one of the Town's contracted coastal engineering firms. This project, which was started in fiscal year 2024, is 100% reimbursable to the Town by the Florida Department of Environmental Protection through a grant agreement. In fiscal year 2024, the costs associated with the preparation of the assessment were \$46,475 and by the end of the year the Town had received \$9,300 in such funding. The remaining \$37,175 was receivable as a deferred inflow. The project is expected to be complete by March 31, 2025. Additionally in this category, a sum of \$12,940 regards the Town's utilization of the services of a professional interior designer during fiscal year 2024. She assisted with the space planning and decorating of the newly leased office space that now serves as Town Hall. New furniture and equipment, which was not capitalized, for the new Town Hall also contributed to the increase in General Government costs. These unique expenditures fell into the broad category of office supplies, which overall was \$24,606 higher than in the prior year.

Town of Orchid, Florida
Management's Discussion and Analysis
September 30, 2024

It is worth noting that the cost of legal counsel under General Government decreased by \$34,126 in fiscal year 2024. This was in part due to a decrease in the number of ordinances considered by the Town Council. In the years just prior to fiscal year 2024, the Town completed a thorough update of its Comprehensive Plan and subsequently amended its Land Development Regulations to ensure the documents remained aligned – both large undertakings that required legal expertise throughout. Additionally, in late 2023, the Town's former Town Attorney handed over the reins to the current Town Attorney, who had worked hand-in-hand with him for years as Assistant Town Attorney for Orchid. The Town no longer has an Assistant Town Attorney. This change resulted in fewer billable hours, though importantly not in less quality of services.

Public Works. The difference in the expenditure for public works from the prior fiscal year to this fiscal year was \$33,528 and mostly attributable to a major maintenance project for the Town's 109 streetlights, which were each cleaned, sanded, patched, primed and painted in 2024. The last time such a project was undertaken was in fiscal year 2018.

Financial Analysis of the Governmental Fund

Program Revenues and Expenditures. Expenditures related to building department activities are included in various operating expenses. In determining program expenditures for building department activities, the Town includes 100% of expenditures for the contract Building Official and the Building Clerk (employee), as well as monthly cost of the cloud-based building permit processing software. During fiscal year 2024, building department revenue (including permit fees, penalties, and inspection fees) totaled \$84,970. Costs associated with enforcement of the Florida Building Code were \$122,127. During the year, the Town changed its vendor for building official services and that new contract is tied directly to the revenues in the building department with 60% allocated to the vendor and 40% remaining with the Town for its other direct expenses. The Town raised its building permit fees starting fiscal year 2025 in an attempt to minimize the shortfall between revenues and expenditures, which was \$33,718 in fiscal year 2024 during which state law still effectively froze building permit fees within a 100-mile radius of landfall of Hurricanes Ian and Nicole, the latter of which made landfall within the county in which the Town is located.

General Fund Budgetary Highlights

Review of budget numbers for fiscal year 2024 shows that actual revenues exceeded the originally budgeted revenues by \$1,088,534, which was largely accounted for with the final budget adopted in November 2024. Every revenue category performed better than originally budgeted, but particularly the intergovernmental revenue stands out in that regard, which was mostly due to the aforementioned reimbursement from Indian River County. The purpose for amending both revenues and expenses, when only the expenditure budget required amendment under state law, was to provide a full picture of the year's unfolded fiscal events, some of which had a significant impact.

Expenditures in fiscal year 2024 also exceeded the original budget, prompting the aforementioned budget amendment. It's important to note that the main expense category that exceeded the original budget was capital outlay and regarded recognition of the new Town Hall lease's present value across

Town of Orchid, Florida
Management's Discussion and Analysis
September 30, 2024

the initial lease term (and any extensions thereof likely to be utilized), as required by the GASB Statement 87. This value was not included in the original budget but was added with the final budget amendment as was the exact same amount under Capital Lease Proceeds. These entries balance to \$0 and it's of interest that no actual cash was received or costs made with these entries. The Town only recognized the initial lease terms, as renewals provided for in the lease agreement require renegotiation of the financial terms making it uncertain whether those renewals will be utilized.

The Town anticipated in its original budget that an excess of \$59,708 in revenues over expenditures would occur, but that revenue surplus over expenditures was actually \$1,480,791.

See the Budgetary Comparison Statement for the General Fund on page 26 for more details.

Capital Assets

The Town's capital assets for its governmental activities as of September 30, 2024, amounted to \$818,730 (net of accumulated depreciation and amortization). The Town's expenses in capital assets include mainly a Town Hall facility (building lease), building improvements, furniture and fixtures, machinery and equipment, as well as coastal infrastructure improvements. Furthermore, the Town operates a network of 109 streetlights. The new building lease accounts for the majority of the difference from the prior fiscal year.

	Governmental Activities	
	2024	2023
Streetlights, not placed in service	\$ 10,447	\$ 7,726
Buildings	-	41,935
Streetlights installed	83,363	88,362
Furniture and fixtures	8,117	1,137
Machinery & equipment	7,013	3,281
Building improvements	40,021	7,100
Infrastructure improvements	379,566	493,436
Right-to-use lease assets	290,203	-
Total capital assets, net	\$ 818,730	\$ 642,977

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

Town of Orchid, Florida
Management's Discussion and Analysis
September 30, 2024

Economic Factors and Next Year's Budget and Rates

The Town is financially as well as operationally well positioned for the future, even as there may be unexpected hurdles. At the end of fiscal year 2024, the Town adjusted upward its Reserve Target which deals specifically with financial resilience while maintaining maximum flexibility for unassigned funds because of the increase in unassigned fund balance. At the same time the Town also decreased the millage rate for fiscal year 2025 – the fourth consecutive reduction of the millage rate, which the Town considers emblematic of its robust financial condition.

Requests for Information

This financial report is designed to provide a general overview for all those with an interest in the Town of Orchid's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, may be addressed to the Town Manager at 9301 Highway A1A, Suite 201, Vero Beach, FL 32963.



TOWN OF ORCHID, FLORIDA

Basic Financial Statements



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Town of Orchid, Florida
Statement of Net Position

<i>September 30, 2024</i>	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 3,516,311
Accounts receivable	482
Due from other governments	64,659
Prepaid items	22,367
Capital assets:	
Nondepreciable:	
Streetlights, not placed in service	10,447
Depreciable, net of accumulated depreciation/amortization:	
Streetlights installed	83,363
Building improvements	40,021
Machinery and equipment	7,013
Furniture and fixtures	8,117
Infrastructure improvements	379,566
Right-to-use Lease assets	290,203
Total assets	\$ 4,422,549
LIABILITIES	
Accounts payable	\$ 19,681
Accrued payroll and related liabilities	978
Unearned revenue	80
Noncurrent liabilities:	
Due within one year:	
Compensated absences	9,176
Lease liability	19,650
Due in more than one year:	
Lease liability	270,553
Total liabilities	320,118
NET POSITION	
Net investment in capital assets	528,527
Restricted for:	
Infrastructure	88,359
Unrestricted	3,485,545
Total net position	\$ 4,102,431

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

Town of Orchid, Florida
Statement of Activities

For the year ended September 30, 2024

Functions/Programs	Expenses	Program Revenues	
		Charges for Services and Fines	Operating Grants and Contributions
General government	\$ 717,421	\$ 84,970	\$ -
Public works	123,692	-	-
Total governmental activities	\$ 841,113	\$ 84,970	\$ -

General revenues:

Property taxes
Intergovernmental
Interest earnings
Other revenue
Gain on sale of fixed assets

Total general revenues

Change in net position

Net position, beginning of year

Net position, end of year

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

		Net (Expense) Revenue and Changes in Net Position
Capital Grants and Contributions	Governmental Activities	
\$ -	\$ (632,451)	
-	(123,692)	
<u>\$ -</u>	<u>(756,143)</u>	
	538,109	
	1,211,126	
	155,718	
	17,396	
	<u>235,411</u>	
	<u>2,157,760</u>	
	1,401,617	
	2,700,814	
	<u>\$ 4,102,431</u>	

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

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

September 30, 2024

General Fund

ASSETS

Cash and cash equivalents	\$	3,516,311
Accounts receivable		482
Due from other governments		64,659
Prepaid items		22,367
Total assets	\$	3,603,819

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	\$	19,681
Accrued payroll and related liabilities		978
Unearned revenue		80
Total liabilities		20,739

Deferred Inflows of Resources

Deferred revenue - unavailable grant revenue		37,175
Total deferred inflows of resources		37,175

Fund balances:

Nonspendable		
Prepaid items		22,367
Restricted for:		
Infrastructure		88,359
Unassigned		3,435,179
Total fund balances		3,545,905
Total liabilities and fund balances	\$	3,603,819

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

Town of Orchid, Florida

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

September 30, 2024

Total fund balance of governmental fund **\$ 3,545,905**

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

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

Governmental capital assets, not depreciated	\$ 10,447	
Governmental capital assets, depreciated/amortized	1,187,277	
Less accumulated depreciation/amortization	<u>(378,994)</u>	818,730

Unavailable grant revenue (related to reimbursement of grant funds) is recorded as a liability in the fund statements but is recorded as revenue in governmental activities	37,175
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Certain liabilities, including compensated absences and Lease liabilities, are not due and payable in the current period and therefore, are not reported in the governmental funds

Compensated absences	(9,176)	
Lease liabilities	(290,203)	(299,379)

Net position of governmental activities	\$ 4,102,431
------------------------------------------------	---------------------

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

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

For the year ended September 30, 2024

General Fund

Revenues	
Property taxes	\$ 538,109
Intergovernmental	1,173,951
Licenses and permits	84,970
Interest earnings	155,718
Other revenue	10,986
Total revenues	1,963,734
 Expenditures	
Current:	
General government	572,908
Public works	114,031
Capital outlay	358,617
Debt service (See Note 2):	
Principal	10,621
Interest	9,679
Total expenditures	1,065,856
 Other financing sources (uses)	
Capital lease proceeds	300,824
Sale of capital assets	282,089
Total other financing sources	582,913
Net change in fund balances	1,480,791
Fund balances, beginning of year	2,065,114
Fund balances, end of year	\$ 3,545,905

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

Town of Orchid, Florida

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

For the year ended September 30,

2024

Net change in fund balances - total governmental funds **\$ 1,480,791**

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

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense. This is the amount by which capital outlay exceeded depreciation/amortization in the current period.

Capital outlay	\$	358,617	
Donation of capital assets		6,410	
Depreciation/amortization		<u>(142,596)</u>	222,431

In the statement of activities, the gain (loss) on the disposal of capital assets is reported, whereas in the governmental funds, disposals are not reported. Thus, the change in net position differs from the change in fund balance by the net book value of the disposed capital assets.

(46,678)

The issuance of long-term debt (e.g. leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. This is the net effect of these differences in the treatment of long-term debt related items.

Capital lease proceeds	\$	(300,824)	
Debt (lease liability) principal		<u>10,621</u>	(290,203)

Some revenues not collected within 60 days after the close of the Town's fiscal year-end are not considered as "available" revenue in the governmental funds. In the statement of net position, presented on full accrual basis, these revenues are recognized.

37,175

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

Change in the accrual for compensated absences			(1,899)
------------------------------------------------	--	--	----------------

Change in net position of governmental activities	\$	1,401,617	
---------------------------------------------------	-----------	------------------	--

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

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

<i>For the year ended September 30, 2024</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 531,624	\$ 538,109	\$ 538,109	\$ -
Intergovernmental	191,676	1,175,000	1,173,951	(1,049)
Licenses and permits	68,000	84,900	84,970	70
Interest earnings	80,000	155,717	155,718	1
Other revenue	3,900	10,985	10,986	1
Total revenues	875,200	1,964,711	1,963,734	(977)
Expenditures				
Current:				
General government	626,042	579,700	572,908	6,792
Public works	87,650	115,000	114,031	969
Debt service				
Principal	18,422	10,621	10,621	-
Interest	16,378	9,679	9,679	-
Capital outlay	67,000	353,369	358,617	(5,248)
Total expenditures	815,492	1,068,369	1,065,856	2,513
Other financing sources (uses)				
Capital Lease Proceeds	-	300,824	300,824	-
Sale of Capital Assets	-	282,000	282,089	89
Total other financing sources	-	582,824	582,913	89
Excess of revenues over expenditures	59,708	1,479,166	1,480,791	1,536
Fund balances, beginning of year	2,065,114	2,065,114	2,065,114	-
Fund balances, end of year	\$ 2,124,822	\$ 3,544,280	\$ 3,545,905	\$ 1,536

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

Town of Orchid, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Orchid, Florida (the “Town”) is a political subdivision of the state of Florida, created by special legislative act Chapter 65-20021 in 1965 in Florida and organized under section 166.031, Florida Statutes, and is located in Indian River County.

Reporting Entity

The legislative branch of the Town is composed of a five-member elected council, including a mayor elected by the Council. The Town Council is governed by the Town Charter and by state and local laws and regulations. The Town Council is responsible for the establishment and adoption of policy. The execution of such a policy is the responsibility of the Council-appointed Town Manager. The accounting policies of the Town conform to generally accepted accounting principles (GAAP) as applied to governmental units. The more significant accounting policies used by the Town are described below.

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Town had no business-type activities at September 30, 2024.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Town of Orchid, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

The Town reports the following major governmental fund:

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary information

Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. The Town follows the procedures below in establishing the budgetary data reflected in the accompanying financial statements:

1. Annually, the Town Manager submits to the Town Council a proposed operating budget for the ensuing fiscal year, commencing October 1. The operating budget includes proposed expenditures and the means of funding them.
2. Public hearings are conducted to obtain taxpayer comments regarding the Town's budget and millage rate in accordance with Chapter 200 of the Florida Statutes.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance. It is adopted at the Town Council level of government.
4. For the fiscal year ended September 30, 2024, there was a budget amendment to reallocate available funding for capital outlay expenditures.
5. Annual appropriated budgets are adopted for the General Fund on a basis consistent with accounting principles generally accepted in the United States of America.
6. The Town Council may make, by ordinance, supplemental appropriations during the fiscal year. There were no supplemental appropriations for the fiscal year ended September 30, 2024.
7. The Town's budget is adopted on a basis consistent with generally accepted accounting principles in the United States of America. The Town's budgetary level of control is legally maintained at the fund level.

Assets, Liabilities, Deferred Inflows, and Net Position or Fund Balance

Cash and equivalents

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

Receivables and payables

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

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

Town of Orchid, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and general fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include building, property and equipment, infrastructure assets (primarily streetlights acquired or constructed since 1980 and dune restoration projects), are reported in the governmental activities' column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of three years. Streetlights that are not yet placed in service are not depreciated. As the Town constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

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

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

Town of Orchid, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Compensated Absences

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

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 a 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. Common area maintenance fees (CAM) are not considered a part of lease payments. The intangible right-to-use lease asset is recorded for the same amount as the related lease liability plus any prepayments and initial direct costs to place the asset in service. Right-to-use lease 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.

Deferred Inflows of Resources

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one (1) item that qualifies for reporting as a deferred inflow of resources.

Unavailable grant revenue, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: grant reimbursements. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Categories and Classification of Net Position and Fund Balance

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

Fund balance policies – Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). When the Town incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government’s policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

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

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

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

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

Town of Orchid, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Inflows, and Net Position or Fund Balance (Continued)

Categories and Classification of Net Position and Fund Balance (Continued)

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

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

The Town Council determined that an initial reserve target be reestablished in an amount at least sufficient to cover both (a) the current estimated surveying, engineering and construction costs for at least two emergency dune replenishment projects in response to major storm events, (b) 25% of the budgeted expenditures of the fiscal year with respect to which the reserve target is applicable (exclusive of any budgeted dune replenishment project costs and any other significant non-recurring expenditure items), and (c) the amount received in reimbursement from Indian River County for the Town's pro rata share in Federal and State funds association associated with the Town's emergency dune repair costs following Hurricanes Matthew, Irma and Dorian. Through the adoption of Resolution 2024-08, the Town established an initial reserve target balance in its unassigned fund balance equal to \$3,200,000. In accordance with the Town of Orchid Fund Balance and Reserve Policy, the Town Council may amend the level of this reserve target as well as the aforementioned methodology in setting the reserve target by subsequent resolution.

Revenues and Expenditures/Expenses

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

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

Town of Orchid, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of assessed taxable valuation). The tax levy of the Town is established by the Town Council, and the Indian River County Property Appraiser incorporates the Town's millage into the total tax levy, which includes the County and the County School Board tax requirements. The millage rate assessed by the Town for the year ended September 30, 2024 was 0.8000 mills (\$0.8000 per \$1,000 of taxable assessed valuation).

Use of Estimates

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

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 17, 2025, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued and Implemented Accounting Pronouncements

The Town implemented the following standard during the current year.

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

Town of Orchid, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (Continued)

information that is affected by a change in accounting principle or error corrections should be presented in the required supplementary information (RSI) and supplementary information (SI). There were no significant impacts of implementing this Statement.

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

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

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

Town of Orchid, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS

Deposits

At September 30, 2024, the Town’s carrying amount of cash deposits was \$3,516,011 and the bank balance was \$3,519,706. In addition, the Town reported petty cash of \$300. As of September 30, 2024, \$250,000 of the Town’s bank balance is covered by federal depository insurance (FDIC). Monies invested in amounts greater than the insurance coverage are secured by qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Depositories Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the Town pursuant to Section 280.08, Florida Statutes.

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

Accounts Receivable

All account receivables are shown net of allowances for uncollectible accounts for governmental funds. The accounts receivable and allowance for uncollectible accounts at September 30, 2024, were as follows:

	Accounts Receivable	Allowance for Uncollectible		Net
General Fund	\$ 482	\$ -	\$	482
Total	\$ 482	\$ -	\$	482

Property taxes are considered fully collected (96% of the levy) during and prior to the end of the fiscal year. Therefore, no material amounts of property taxes are receivable as of September 30, 2024. There are no other reserves for receivables recorded by the Town as of September 30, 2024.

Town of Orchid, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

The following is a summary of changes in capital assets during the year ended September 30, 2024.

Governmental activities:	Beginning Balance	Additions / Transfers	Disposals / Transfers	Ending Balance
Capital assets, not being depreciated:				
Streetlights, not placed in service	\$ 7,726	\$ 6,410	\$ (3,689)	\$ 10,447
Total capital assets, not being depreciated	7,726	6,410	(3,689)	10,447
Capital assets, being depreciated:				
Buildings	87,545	-	(87,545)	-
Streetlights installed	242,151	4,895	(3,347)	243,699
Furniture and fixtures	24,435	8,837	(11,666)	21,606
Machinery and equipment	9,042	5,250	(4,993)	9,299
Building improvements	7,865	42,500	(7,865)	42,500
Infrastructure improvements	569,349	-	-	569,349
Total capital assets being depreciated	940,387	61,482	(115,416)	886,453
Less accumulated depreciation for:				
Buildings	(45,610)	(2,919)	48,529	-
Streetlights installed	(153,789)	(9,661)	3,114	(160,336)
Furniture and fixtures	(23,298)	(1,178)	10,987	(13,489)
Machinery and equipment	(5,761)	(1,518)	4,993	(2,286)
Building improvements	(765)	(2,829)	1,115	(2,479)
Infrastructure improvements	(75,913)	(113,870)	-	(189,783)
Total accumulated depreciation	(305,136)	(131,975)	68,738	(368,373)
Total capital assets being depreciated, net	635,251	(70,493)	(46,678)	518,080
Right-to-use Lease assets, being amortized	-	300,824	-	300,824
Total Right-to-use Lease assets, being amortized	-	300,824	-	300,824
Less accumulated amortization for				
Lease assets	-	(10,621)	-	(10,621)
Total accumulated amortization	-	(10,621)	-	(10,621)
Right-to-use lease assets being amortized, net	-	290,203	-	290,203
Governmental activities capital assets, net	\$ 642,977	\$ 226,120	\$ (50,367)	\$ 818,730

Town of Orchid, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

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

<i>For the year ended September 30,</i>	<i>2024</i>
<hr/>	
Governmental activities	
General government	\$ 132,935
Public Works	9,661
<hr/>	
Total depreciation/amortization expense	
- governmental activities	\$ 142,596
<hr/>	

Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2024 was as follows for governmental activities:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<hr/>					
Governmental Activities					
Compensated absences	\$ 7,277	\$ 12,946	\$ (11,673)	\$ 9,176	\$ 9,176
Lease liabilities	-	300,824	(10,621)	290,203	19,650
<hr/>					
Total Government Activities	\$ 7,277	\$ 313,770	\$ (22,294)	\$ 299,379	\$ 28,826
<hr/>					

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

Leases- Lessee

The Town has entered into a lease agreement to obtain the right-to-use office space. The total annual value for the office space that the Town paid for the fiscal year ended September 30, 2024 was \$20,300. The lease has a 10-year initial term and three additional 5-year renewal terms, which are expected to be renewed. The payments for each renewal term escalate by the percentage change in the Consumer Price Index, with a minimum increase of no less than three percent (3%) annually and a maximum increase of six percent (6%). Monthly payment amounts are \$2,900. The future minimum lease payments are calculated using an implicit borrowing rate of 5.6% determined at lease inception.

Town of Orchid, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

The following is a schedule of minimum future lease payments from lease agreements as of September 30:

For the Years Ending September 30,	Principal Payments	Interest Expense	Total
2025	\$ 19,650	\$ 15,759	\$ 35,409
2026	21,869	14,603	\$ 36,472
2027	24,248	13,318	\$ 37,566
2028	26,796	11,895	\$ 38,691
2029	29,528	10,326	\$ 39,854
Thereafter	168,112	22,540	\$ 190,652
Total	\$ 290,203	\$ 88,441	\$ 378,644

Note 3: RETIREMENT PLAN

Defined Contribution Pension Plan

Effective March 5, 2003, the Town established a defined contribution plan (the "Plan") for the Town Manager in accordance with the Internal Revenue Service Code Section 401(a) and Resolution Number 2003-02. On February 4, 2004, under Resolution Number 2004-02, all full-time employees became eligible for this plan. The Plan members do not contribute to the Plan. The Town's required contribution is seven- and one-half percent of each plan member's gross salary. For the fiscal year ended September 30, 2024, the Town contributed \$12,404 to the Plan, in which there are two employees participating. If a participant separates from service and subsequently becomes employed with another unit of a state or local government, then the participant may rollover the benefits into his/her new employer's pension plan providing said plan permits rollovers. The provisions of the Plan may be amended by the Town Council. The Plan is held in a trust for the exclusive benefit of the participants and their beneficiaries, and consequently, the Town has no fiduciary responsibility. The net position of the Plan, therefore, is not included in the Town's financial statements.

Note 4: RISK MANAGEMENT

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

Town of Orchid, Florida
Notes to Financial Statements

Note 5: COMMITMENTS

Effective February 18, 2005, the Town executed a Combined Voluntary Cooperation and Operational Assistance Mutual Aid Agreement with the Indian River County Sheriff's Office for law enforcement assistance through January 31, 2025. The agreement does not require payments between the parties for this assistance.



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



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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**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Town of Orchid, Florida (the "Town"), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 17, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

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

Melbourne, Florida
February 17, 2025



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INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the Town of Orchid, Florida as of and for the fiscal year ended September 30, 2024 and have issued our report thereon dated February 17, 2025.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated February 17, 2025, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. There were no recommendations made in the preceding annual financial report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority for the Town of Orchid, Florida is disclosed in the notes to the financial statements. There are no component units of the Town.

Financial Condition and Management

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

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

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

Property Assessed Clean Energy (PACE) Programs (Unaudited)

As required by Section 10.554(1)(i)6.a., Rules of the Auditor General, the Town did not operate a PACE program pursuant to Section 163.081 or Section 163.082, Florida Statutes, within the Town's geographical boundaries during the fiscal year under audit.

Additional Matters

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

Purpose of this Letter

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

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

Melbourne, Florida
February 17, 2025



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INDEPENDENT ACCOUNTANT’S REPORT ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES

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

We have examined the Town of Orchid, Florida’s compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2024. Management of the Town of Orchid, Florida is responsible for the Town of Orchid, Florida’s compliance with the specified requirements. Our responsibility is to express an opinion on the Town of Orchid, Florida’s compliance with the specified requirements based on our examination.

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

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 Orchid, Florida’s compliance with specified requirements.

In our opinion, the Town of Orchid, Florida complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2024.

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

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

Melbourne, Florida
February 17, 2025