TOWN OF OCEAN RIDGE, FLORIDA

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT THEREON

FISCAL YEAR ENDED SEPTEMBER 30, 2025

TOWN OF OCEAN RIDGE, FLORIDA
SEPTEMBER 30, 2025

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Ocean Ridge, Florida as of and for the year ended September 30, 2025, 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 and each major fund of the Town of Ocean Ridge, Florida, as of September 30, 2025, 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 Matters

As discussed in Note 16 to the financial statements, the beginning net position of the Governmental Activities has been restated to correct errors made in reporting subscription-based information technology arrangements and for the implementation of new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to these matters.

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 12, the budgetary comparison data on pages 64 and 65, the Schedule of Changes in Total OPEB Liability on page 66, and pension schedules on pages 67 through 70 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 6, 2026, 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, Florida
July 6, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) is designed to provide an objective and easy to read analysis of the Town's financial activities based on currently known facts, decisions, and conditions. It is intended to provide a broad overview and short-term and long-term analysis of the Town's activities based on information presented in the financial statements. Specifically, this information is designed to assist the reader in focusing on significant financial issues, provide an overview of the Town's financial activity, identify changes in the Town's financial position, identify material deviations from the approved budget, and identify individual fund issues.

The information contained within this MD&A is only a component of the entire financial statement report. Readers should take time to read and evaluate all sections of the report, including the footnotes and the other Required Supplementary Information that is provided in addition to this MD&A.

FINANCIAL HIGHLIGHTS

Government-wide Financial Statements

- At the close of current fiscal year, the Town's assets plus deferred outflows of resources exceeded its liabilities plus deferred inflows of resources inflows by $23,713,359. Of this amount, $5,456,967 represents unrestricted net position, which may be used to meet the Town's ongoing obligations to residents and creditors.
- At the close of the current fiscal year, net position of the Governmental Activities was $23,713,359, an increase of $2,753,865 when compared with the prior year.
- The total revenues from all sources were $12,470,626, and the total cost of all Town programs was $9,716,761.
- The Town's total capital assets increased by $1,190,075 during the current fiscal year.
- The Town's long-term liabilities consist of loans payable, leases payable, SBITAs payable, a liability for compensated absences, a net pension liability, and an OPEB liability. Total long-term liabilities decreased by $1,244,978 during the current fiscal year.

Fund Financial Statements

- At the end of the current fiscal year, unassigned fund balance for the Town's governmental funds was $6,964,751, a decrease of $1,527,765 from the previous fiscal year.
- The fund balance in the Town's General Fund decreased by $85,433 or 0.8%.
- The unassigned fund balance in the Town's General Fund was $7,003,484, or 70.0% of total fund balance for the General Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic 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, liabilities, deferred outflows of resources, and deferred inflows of resources, with the difference 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. Other factors should be considered, however, such as the condition of the Town's capital assets to assess the overall health of the Town.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The government-wide financial statements can be found on pages 13-14 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over financial 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 legal compliance with finance-related legal requirements. All the Town’s funds are governmental funds.

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

The focus of governmental funds is narrower than that of the government-wide financial statements, so it is useful to compare the information presented for governmental funds with similar information presented for the Governmental Activities in the government-wide financial statements. By doing so, readers may better understand long-term impacts of near-term financing decisions. Reconciliations to facilitate the comparison between governmental funds and the Governmental Activities are also provided.

The Town reports two major governmental funds, as described below:

- The General Fund is the primary operating fund of the Town and is used to account for all financial resources applicable to the general operations of the Town, except for those required to be accounted for in another fund.

- The Capital Projects Fund accounts for the acquisition or construction of major capital assets

Notes to the Basic Financial Statements

The notes to the financial statements are provided to communicate additional information that is essential to obtaining a comprehensive understanding of the data contained in the government-wide and fund financial statements. The notes to the financial statements are located on pages 19-63 of this report.

Other Information

In addition to the basic financial statements and notes, this annual report also presents certain required supplementary information (RSI) which includes a budgetary comparison schedules for the General Fund and to schedules to demonstrate the Town’s progress in funding of its obligation to provide pension benefits and other postemployment benefits to its employees. Required supplementary information can be found on pages 64-70 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows exceeded liabilities and deferred deferred inflows by $23,713,359 at the close of the most recent fiscal year, an increase of $2,753,865 as compared with the prior year.

The following table provides a summary of net position for the Governmental Activities and the Business-type Activities as of September 30, 2024 and 2025.

Town of Ocean Ridge, Florida

Summary of Net Position

	Restated 2024	2025	Increase (Decrease)	Percent Change
Current assets	$ 10,442,504	$ 10,611,213	$ 168,709	1.6%
Capital assets, net	17,683,815	18,873,890	1,190,075	6.7%
Total assets	28,126,319	29,485,103	1,358,784	4.8%
Deferred Outflow of Resources	1,227,079	1,148,873	(78,206)	-6.4%
Current liabilities	1,010,704	517,569	(493,135)	-48.8%
Non-current liabilities	6,774,088	5,521,132	(1,252,956)	-18.5%
Total liabilities	7,784,792	6,038,701	(1,746,091)	-22.4%
Deferred Inflow of Resources	609,112	881,916	272,804	44.8%
Net Position:				
Net Investment in Capital Assets	15,406,131	17,954,057	2,547,926	16.5%
Restricted for debt service	115,649	-	(115,649)	-100.0%
Restricted for infrastructure	-	199,082	199,082	100.0%
Restricted for transportation	95,370	103,253	7,883	8.3%
Restricted for Town Hall beautification	32,658	-	(32,658)	-100.0%
Unrestricted	5,309,686	5,456,967	147,281	2.8%
Total net position	$ 20,959,494	$ 23,713,359	$ 2,753,865	13.1%

Net position was restated for the implementation of GASB Statement No, 101 and the correction of errors made in reporting subscription-based information technology arrangements in prior years. See Note 16 to the financial statements

The Town's investment in capital assets (e.g. land, buildings, improvements, machinery and equipment); less any related debt and deferred inflows and outflows related to those assets and represents 75.7% of total net position. The Town uses these capital assets to provide services to citizens; therefore these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Another portion of net position has restrictions on its use that are externally imposed or imposed by enabling legislation, and represents 1.3% of total net position. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors and represents 23.0% of total net position.

The following table provides a summary of the changes in net position for the Governmental Activities and the Business-type Activities for the years ended September 30, 2024 and 2025.

Town of Ocean Ridge, Florida

Summary of Changes in Net Position

	Restated 2024	2025	Increase (Decrease)	Percent Change
Revenues:				
Program revenues:				
Charges for services	$ 1,396,652	$ 1,651,113	$ 254,461	18.2%
Operating grants & contributions	42,426	65,320	22,894	54.0%
Capital grants & contributions	-	142,549	142,549	100.0%
General revenues:				
Property taxes	7,952,553	8,715,080	762,527	9.6%
Infrastructure surtax	183,071	199,082	16,011	8.7%
Utility service taxes	526,001	566,873	40,872	7.8%
Franchise fees	236,940	242,155	5,215	2.2%
Gasoline taxes	55,198	59,583	4,385	7.9%
State shared revenues - unrestricted	244,669	254,241	9,572	3.9%
Local shared revenues - unrestricted	7,506	3,608	(3,898)	-51.9%
Unrestricted investment income	452,606	544,008	91,402	20.2%
Gain on disposal of capital assets	-	23,660	23,660	100.0%
Miscellaneous	949	3,354	2,405	253.4%
Total revenues	11,098,571	12,470,626	1,372,055	12.4%
Expenses:				
Government Activities:				
General government	1,613,256	1,939,800	326,544	20.2%
Public safety	5,416,597	6,065,180	648,583	12.0%
Public works	908,731	881,515	(27,216)	-3.0%
Physical environment	651,975	777,886	125,911	19.3%
Interest on long-term debt	90,615	52,380	(38,235)	-42.2%
Total expenses	8,681,174	9,716,761	1,035,587	11.9%
Change in Net Position	2,417,397	2,753,865	336,468	13.9%
Net position, beginning as restated	18,542,097	20,959,494	2,417,397	13.0%
Net position, ending	$ 20,959,494	$ 23,713,359	$ 2,753,865	13.1%

Net position was restated for the implementation of GASB Statement No, 101 and the correction of errors made in reporting subscription-based information technology arrangements in prior years. See Note 16 to the financial statements.

Governmental Activities

Governmental Activities increased the Town's net position by $2,753,865. This is an increase of 13.9% when compared to the prior fiscal year. Total revenues increased by $1,372,055 or 12.4%. Key elements of this increase are as follows:

- Property taxes increased by $762,527 or 9.6% due to an increase in property values.

- Unrestricted investment income increased by $91,402 or 20.2% due to an increase in interest rates.

- Charges for services increased by $254,461 or 18.2% due to an increase in construction activity resulting in higher building permit fees.

Total expenses increased by $1,035,587 or 11.9% when compared to the prior fiscal year. Key elements of this increase are as follows:

- General government expenses increased by $326,544 or 20.2% due to increases in salaries, pension contributions, and contingency expenses.

- Public safety expenses increased by $648,583 or 12.0% due to increases in salaries, pension contributions, and professional fees related to protective inspections.

- Public works expenses decreased $27,216 or 3.0% due to a decrease in repairs and maintenance costs.

- Physical environment expenses increased by $125,911 or 19.3% due to increased professional fees and repairs and maintenance costs.

- Interest on the Town's long-term debt decreased $38,235 or 42.2% due to a decrease in the debt outstanding. The Revolving Fund Loan was paid off in July 2025.

The Town's programs include general government, public safety, public works, and physical environment. General government includes the legislative, executive, financial, and other general operations of the Town. Public safety includes police services and protective inspections. Physical environment includes sanitation and environmental services. Public works operations include utilities and transportation services. Below is a schedule presenting the net cost of each program (total cost, less revenues generated by the activities). The net cost shows the extent to which the Town's general revenues support each of the Town's programs.

	Total Cost of Services	Total Program Revenues	Net Revenue (Expense)
General Government	$ 1,939,800	$ 1,016,567	$ (923,233)
Public Safety	6,065,180	463,256	(5,601,924)
Public Works	881,515	18,966	(862,549)
Physical Environment	777,886	360,193	(417,693)
Interest on long-term debt	52,380	-	(52,380)
	$ 9,716,761	$ 1,858,982	$ (7,857,779)

The total cost of all Governmental Activities this year was $9,716,761. The schedule above shows that $1,858,982 of the cost of services was paid by those who directly benefited from the programs and $7,857,779 was financed through general revenues.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

Governmental Funds

The governmental funds report on the same functions as the Governmental Activities in the government-wide statements but the focus of the governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources available at fiscal year-end. This information is useful in evaluating the Town's financing requirements. The unassigned. fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of $9,961,219 an increase of $513,988 in comparison with the prior year. Of this amount, $6,964,751 or 69.9% is unassigned fund balance, which is available for spending at the Town's discretion. The remaining $2,996,468 is non-spendable, restricted or assigned. Of this amount, $58,644 is non-spendable, $302,335 is restricted for specific purposes and $2,635,489 is assigned for specific purposes.

The primary operating fund for the Town is the General Fund. At the end of the current fiscal year, total fund balance was $9,999,952. As a measure of the General Fund's liquidity, it is useful to compare unassigned fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 71.5% of total General Fund expenditures.

Town of Ocean Ridge, Florida

General Fund Balance Sheet Summary

	Fiscal Year		Increase	Percent
	2024	2025	(Decrease)	Change
Total assets	$ 10,441,293	$ 10,610,946	$ 169,653	1.6%
Total liabilities	$ 355,908	$ 468,445	$ 112,537	31.6%
Total deferred inflows	-	142,549	142,549	100.0%
Total fund balance	10,085,385	9,999,952	(85,433)	-0.8%
Total liabilities, deferred inflows, and fund balance	$ 10,441,293	$ 10,610,946	$ 169,653	1.6%

General Fund Revenues & Expenditures Summary

	Fiscal Year		Increase	Percent
	2024	2025	(Decrease)	Change
Total revenues	$ 11,103,379	$ 12,304,417	$ 1,201,038	10.8%
Total expenditures	8,385,272	9,790,500	1,405,228	16.8%
Excess of revenues over expenditures	2,718,107	2,513,917	(204,190)	-7.5%
Transfers in (out)	(1,748,071)	(2,654,451)	(906,380)	51.9%
Proceeds from sale of capital assets	-	55,101	55,101	100.0%
Change in fund balance	$ 970,036	$ (85,433)	$ (1,055,469)	-108.8%

As previously discussed, the Town reports two major funds. In addition to the General Fund, the Town reports the Capital Projects Fund as major funds. The following tables summarize the assets liabilities, fund balance, revenues, and expenditures of the major funds for fiscal years 2024 and 2025.

Town of Ocean Ridge, Florida

Capital Projects Fund Balance Sheet Summary

	Fiscal Year		Increase	Percent
	2024	2025	(Decrease)	Change
Total assets	$ 1,211	$ 26,664	$ 25,453	2101.8%
Total liabilities	$ 639,365	$ 65,397	$ (573,968)	-89.8%
Total fund balance	(638,154)	(38,733)	599,421	-93.9%
Total liabilities and fund balance	$ 1,211	$ 26,664	$ 25,453	2101.8%

Capital Projects Fund Revenues & Expenditures Summary

	Fiscal Year		Increase	Percent
	2024	2025	(Decrease)	Change
Total revenues	$ -	$ -	$ -	0.0%
Total expenditures	2,711,800	2,220,048	(491,752)	-18.1%
Excess (deficit) of revenues over (under) expenditures	(2,711,800)	(2,220,048)	491,752	-18.1%
Transfers in (out)	1,748,071	2,654,451	906,380	51.9%
Issuance of debt	-	165,018	165,018	100.0%
Change in fund balance	$ (963,729)	$ 599,421	$ 1,563,150	260.8%

FUND BUDGETARY HIGHLIGHTS

The Town adopts budgets for all funds annually. General Fund revenues were $1,138,079 less than budgeted primarily due to less than anticipated property taxes and grant revenues. Utility taxes, sales tax , infrastructure surtax and investment income were more than anticipated.

General Fund expenditures were $986,600 less than budgeted. Expenditures for all departments except town clerk/finance, other general government, and protective inspections were less than budgeted. Law enforcement, other physical environment, public works, and contingency expenditures were significantly less than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town of Ocean Ridge's investment in capital assets for as of September 30, 2025, totaled $18,873,890 (net of accumulated depreciation and amortization). The investment in capital assets includes land, construction in progress, buildings, infrastructure, equipment, and intangible assets The total investment in capital assets increased $1,190,075 or 6.7% during the current fiscal year. The increase was primarily due to water main improvements.

The following table summarizes the Town's capital assets as of September 30, 2024 and 2025.

Town of Ocean Ridge, Florida
Capital Assets, Net of Depreciation

Net Capital Assets	Restated 2024	2025	Increase (Decrease)	Percent Change
Land	$ 2,302,564	$ 2,586,813	$ 284,249	12.3%
Construction in progress	2,380,532	366,735	(2,013,797)	-84.6%
Buildings	2,498,113	2,325,308	(172,805)	-6.9%
Infrastructure	9,549,090	12,440,875	2,891,785	30.3%
Equipment	656,412	813,290	156,878	23.9%
Intangible assets - Leases	162,065	97,974	(64,091)	-39.5%
Intangible assets - SBITA	135,039	242,895	107,856	79.9%
Total	$ 17,683,815	$ 18,873,890	$ 1,190,075	6.7%

Depreciation and amortization on capital assets is recognized in the Statement of Activities. Annual depreciation and amortization totaled $963,874 for the year ended September 30, 2025. Additional information on the Town's capital assets can be found in Note 5, beginning on page 34 of this report.

Long-Term Liabilities

Long-term liabilities consist of loans payable, leases payable, subscription-based information technology arrangements payable, a net pension liability, a liability for other postemployment benefits, and a liability for compensated absences. Total long-term liabilities as of September 30, 2025, were $5,513,603. This is a decrease of $1,244,978 when compared with the prior year. Additional information on the Town's long-term liabilities can be found in Note 6, beginning on page 35 of this report.

The following table summarizes the Town's long-term liabilities as of September 30, 2024 and 2025.

Town of Ocean Ridge, Florida
Long-Term Liabilities

	Restated 2024	2025	Increase (Decrease)	Percent Change
Bank of America Loan	$ 458,257	$ -	$ (458,257)	-100.0%
Revolving Fund Loan	911,836	592,769	(319,067)	-35.0%
Lease payable	145,381	100,288	(45,093)	-31.0%
SBITA payable	127,046	226,776	99,730	78.5%
Net pension liability	4,526,268	3,884,696	(641,572)	-14.2%
OPEB liability	111,857	118,559	6,702	6.0%
Compensated Absences	477,936	590,515	112,579	23.6%
Total	$ 6,758,581	$ 5,513,603	$ (1,244,978)	-18.4%

Information on the Town's long-term liabilities can be found in Note 6, beginning on page 35 of this report.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

Ad valorem taxes are the single most significant governmental revenue source for the Town of Ocean Ridge representing 69.9% of total revenues of the Governmental Activities for the current fiscal year. These revenues are generated by a millage rate set annually by the Town Council with a legal limit of 10 mills or $10.00 per $1,000 of taxable property value. The current fiscal year millage rate is $5.4000 per $1,000 of taxable value, and the rate is unchanged for the fiscal year ending September 30, 2026.

Each budget year the Town examines the impact of construction activity along with other economic and social factors that place a demand on the capacity to provide services. All these factors are considered in the preparation of the Town’s budget. The Town has been able to adopt a budget that provides the funding necessary to maintain the existing service levels. The 2025-2026 budget anticipates continued work on the water main improvements.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. Please address questions concerning the information provided in this report or requests for additional financial information to the following:

Town Manager
Town of Ocean Ridge
6450 North Ocean Boulevard
Ocean Ridge, Florida 33435
561-732-2635

TOWN OF OCEAN RIDGE, FLORIDA
Statement of Net Position
September 30, 2025

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 222,808
Investments	9,985,616
Receivables (net)	344,145
Prepaids	58,644
Capital assets	
Non-depreciable	2,953,548
Depreciable, net	15,579,473
Amortized, net	340,869
Total assets	29,485,103
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	1,141,344
Accumulated decrease in fair value - interest rate swap	7,529
Total deferred outflows of resources	1,148,873
LIABILITIES	
Current liabilities	
Accounts payable	280,713
Accrued payroll	181,309
Unearned revenue	45,423
Accrued interest payable	10,124
Non-current liabilities	
Interest rate swap	7,529
Due within one year	657,924
Due in more than one year	4,855,679
Total liabilities	6,038,701
DEFERRED INFOWS OF RESOURCES	
Pension related items	881,916
Total deferred inflows of resources	881,916
NET POSITION	
Net investment in capital assets	17,954,057
Restricted for infrastructure	199,082
Restricted for transportation	103,253
Unrestricted	5,456,967
Total net position	$ 23,713,359

See notes to the financial statements

TOWN OF OCEAN RIDGE, FLORIDA
Statement of Activities
For the Year Ended September 30, 2025

Function / Program Activities	Expenses	Program Revenues: Charges For Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Total Governmental Activities
Governmental activities					
General government	$ 1,939,800	$ 827,664	$ 46,354	$ 142,549	$ (923,233)
Public safety	6,065,180	463,256			(5,601,924)
Public works	881,515		18,966		(862,549)
Physical environment	777,886	360,193			(417,693)
Interest on long term debt	52,380				(52,380)
Total governmental activities	$ 9,716,761	$ 1,651,113	$ 65,320	$ 142,549	(7,857,779)

General revenues	
Property taxes	8,715,080
Infrastructure surtax	199,082
Utility servcie taxes	566,873
Franchise taxes	242,155
Gasoline taxes	59,583
State shared revenues - unrestricted	254,241
Local shared revenues - unrestricted	3,608
Unrestricted investment income	544,008
Gain on disposal of capital assets	23,660
Miscellaneous	3,354
Total general revenues	10,611,644
Change in net position	2,753,865
Net position, beginning of year - as reported	21,190,525
Restatement - Note 16	(231,031)
Net position, beginning of year - as restated	20,959,494
Net position, end of year	$ 23,713,359

See notes to the financial statements

TOWN OF OCEAN RIDGE, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2025

	General	Capital Projects Fund	Total
ASSETS			
Cash and cash equivalents	$ 222,541	$ 267	$ 222,808
Investments	9,985,616		9,985,616
Receivables (net)	344,145		344,145
Due from other funds		26,397	26,397
Prepaid items	58,644		58,644
Total assets	$ 10,610,946	$ 26,664	$ 10,637,610
LIABILITIES			
Accounts payable	$ 215,316	65,397	$ 280,713
Accrued payroll	181,309		181,309
Unearned revenue	45,423		45,423
Due to other funds	26,397		26,397
Total liabilities	468,445	65,397	533,842
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	142,549		142,549
Total deferred inflows of resources	142,549		142,549
FUND BALANCES			
Non-Spendable:			
Prepaids	58,644		58,644
Restricted for:			
Infrastructure	199,082		199,082
Transportation	103,253		103,253
Assigned to:			
Self insurance	160,000		160,000
Drainage	370,000		370,000
Beautification	115,000		115,000
Subsequent year budget	1,990,489		1,990,489
Unassigned	7,003,484	(38,733)	6,964,751
Total fund balances	9,999,952	(38,733)	9,961,219
Total liabilities, deferred inflows of resources, and fund balances	$ 10,610,946	$ 26,664	$ 10,637,610

TOWN OF OCEAN RIDGE, FLORIDA
Reconciliation of the Balance Sheet – Governmental Funds
to the Statement of Net Position
September 30, 2025

Fund balances total governmental funds		$ 9,961,219
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 are not reported in governmental funds.		
Governmental capital assets	$ 33,300,700	
Less accumulated depreciation and amortization	(14,426,810)	18,873,890
Revenues earned but not collected within 60 days are not current financial resources and are not reported in governmental funds.		
Unavailable revenue		142,549
Long-term liabilities are not due and payable in the current period and are not reported in governmental funds.		
Compensated absences	(590,515)	
Loans payable	(592,769)	
Lease payable	(100,288)	
SBITA payable	(226,776)	
Net pension liability	(3,884,696)	
Total other postemployment benefits liability	(118,559)	
Accrued interest on long-term debt	(10,124)	(5,523,727)
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 governmental funds.		
Pension related deferred outflows	1,141,344	
Pension related deferred inflows	(881,916)	259,428
Net position of governmental activities		$ 23,713,359

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, 2025

	General	Capital Projects Fund	Total
REVENUES			
Property taxes	$ 8,715,080	$	$ 8,715,080
Utility service taxes	566,873		566,873
Gasoline taxes	59,583		59,583
1/2 Cent sales tax	191,528		191,528
Infrastructure surtax	199,082		199,082
Local business tax	1,158		1,158
Electric franchise fee	242,155		242,155
State shared revenues	62,713		62,713
Local shared revenues	3,608		3,608
Licenses and permits	768,898		768,898
Fines and forfeitures	183,511		183,511
Charges for services	697,546		697,546
Interest income	544,008		544,008
Contributions	46,354		46,354
Miscellaneous	22,320		22,320
Total revenues	12,304,417		12,304,417
EXPENDITURES			
Current			
General government	1,795,197	6,436	1,801,633
Public safety	5,973,959		5,973,959
Public works	326,006		326,006
Physical environment	778,166		778,166
Debt service			
Principal	852,335	35,370	887,705
Interest	57,687		57,687
Capital outlay	7,150	2,178,242	2,185,392
Total expenditures	9,790,500	2,220,048	12,010,548
Excess (deficiency) of revenues over expenditures	2,513,917	(2,220,048)	293,869
OTHER FINANCIANG SOURCES (USES)			
Transfers in		2,654,451	2,654,451
Transfers out	(2,654,451)		(2,654,451)
Proceeds from issuance of debt - SBITA		165,018	165,018
Proceeds from sale of capital assets	55,101		55,101
Total other financing sources (uses)	(2,599,350)	2,819,469	220,119
Net change in fund balances	(85,433)	599,421	513,988
Fund balances, beginning of year	10,085,385	(638,154)	9,447,231
Fund balances, end of year	$ 9,999,952	$ (38,733)	$ 9,961,219

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, 2025

Net change in fund balances - total governmental funds		$ 513,988
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 or amortization expense.		
Expenditures for capital assets	$ 2,185,392	
Less: current year depreciation and amortization	(963,874)	1,221,518
The issuance of long-term debt provides current financial resources togovernmental funds, while repayment of principal of long-term debt is an expenditures in governmental funds. Interest payable is not accrued in governmental funds.		
Debt issuance	(165,018)	
Principal payments on debt	887,705	
Decrease in accrued interest payable	5,307	727,994
Gains and losses on the disposal of fixed assets are not reported in the governmental funds but are reported in the statement of activites		
Net book value of fixed asset disposals		(31,441)
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		142,549
Some expenses reported in the Statement of Activities do not requires the use of current financial resources, and therefore are not reported as expenditures in governmental funds.		
Increase in compensated absences payable	(112,579)	
Decrease in other postemployment benefits	(6,702)	
Change in net pension liability and related deferred amounts	298,538	179,257
Change in net position		$ 2,753,865

See notes to the financial statements

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

Issuance of long-term debt, acquisitions under capital leases, and acquisition sunder 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 and the Capital Projects Fund as major governmental funds 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 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.*

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

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.

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.

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.

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.

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.

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.

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, 2025 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.

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. 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. See Note 16.

GASB 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. Implementation of this Statement did not impact the District's financial; statements.

Recently Issued Accounting Pronouncements

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

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.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. Additionally, the disclosure requirements will improve consistency and comparability between governments, This Statement is effective for the fiscal year ending September 30, 2026.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

In December 2025, the GASB issued Statement No. 105, *Subsequent Events*. The requirements of this Statement will improve financial reporting related to subsequent events by (1) clarifying the subsequent events time frame and the subsequent events that constitute recognized and nonrecognized events and (2) specifying the information items that are required to be disclosed about subsequent events. Those improvements will assist preparers and auditors in applying the requirements more consistently, thereby reducing diversity in practice and providing information that better meets the needs of financial statement users. This Statement is effective for the fiscal year ending September 30, 2027.

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.

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

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

at year end are considered insured for custodial credit risk purposes. As of September 30, 2025, the bank balance of the Town's deposits was $210,373 and the carrying amount was $222,658. The Town also had $150 in petty cash for a total carrying amount of $222,808..

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.

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

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

The Florida Cooperative Liquid Assets Securities System Trust ("FLCLASS") is a common law trust established, created, and authorized by an Interlocal Agreement by and among participating Florida public agencies. FLCLASS is an authorized investment pool under Section 218.415(16)(a), Florida Statutes, and was established for participating Florida agencies on April 1, 2015, under the Interlocal Agreement and commenced operations on July 15, 2015 (inception). The most recently amended and restated Interlocal Agreement is dated as of March 4, 2021. FLCLASS is available for investment by any unit of local government within the State of Florida. The purpose of FLCLASS is to enable such units to cooperate in the investment of their available funds. FLCLASS presently offers shares in three portfolios, FLCLASS, FLCLASS Enhanced Cash, and FLCLASS Term Series. FLCLASS operates like a money market mutual fund with each share valued at $1.00. FLCLASS Enhanced Cash is an enhanced cash, variable net asset value ("NAV") fund that offers next-day liquidity. FLCLASS Term Series is made up of one or more term series investments, each of which has a fixed rate and duration and is designed for participants who will not need access to their investment prior to the termination date of the individual series. Distributions from net investment income are declared and posted to participant accounts daily for FLCLASS.

FLCLASS measures its investments at fair value and participants in the investment pool are not required to be categorized within the GASB Statement No. 72 fair value hierarchy.

With the consent of the Board, the FLCLASS Administrator shall determine when an event occurs that entitles the Custodian to temporarily suspend or postpone a Participant's right to withdrawals that may be for the whole or any part of any period (i) during which trading in securities generally on the New York Stock Exchange or the American Stock Exchange or over-the-counter market shall have been suspended or minimum prices or maximum daily charges shall have been established on such exchange or market, (ii) a general banking moratorium shall have been declared by Federal, state, or the state of New York authorities, or (iii) there shall have occurred any outbreak, material escalation of hostilities, other calamity, or crisis, the effect of which on the financial markets of the United States is such as to make it impracticable (a) to dispose of the investment property because of the substantial losses that might be incurred or (b) to determine the investment property value in accordance with the valuation procedures.

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. As of September 30, 2025, FLCLASS is rated AAAm by S&P Global Ratings

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town'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. As of September 30, 2025, the weighted average days to maturity for FLCLASS is 42 days.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments that are in the possession of an outside party. FLCLASS is an external investment pool and is not subject to custodial credit risk.

As of September 30, 2025, the weighted average maturity and the credit rating for the Town's investment was as follows.

Investments	Balance	Weighted Average Maturity	Credit Rating
FLCLASS Investment Pool	$ 9,985,616	42 days	AAAm Standard & Poor's

NOTE 4 – RECEIVABLES

The Town's receivables as of September 30, 2025, are as follows:

	General Fund
Due from other governments	$ 251,935
Franchise fees	47,615
Utility service taxes	37,455
Accounts receivable - billed	7,140
Total receivables	344,145
Less allownce for uncollectible accounts	
Net receivables	$ 344,145

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2025, was as follows:

Governmental Activities	Restated Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated				
Land	$ 2,302,564	284,249	$	$ 2,586,813
Construction in Progress	2,380,532	1,379,092	(3,392,889)	366,735
Total Assets Not Being Depreciated	4,683,096	1,663,341	(3,392,889)	2,953,548
Capital Assets Being Depreciated				
Buildings	5,410,266	7,150		5,417,416
Infrastructure	19,398,300	3,392,889		22,791,189
Equipment	1,814,204	349,881	(562,552)	1,601,533
Total Assets Being Depreciated	26,622,770	3,749,920	(562,552)	29,810,138
Less Accumulated Depreciation For				
Buildings	(2,912,153)	(179,955)		(3,092,108)
Infrastructure	(9,849,210)	(501,104)		(10,350,314)
Equipment	(1,157,792)	(177,585)	547,134	(788,243)
Total Accumulated Depreciation	(13,919,155)	(858,644)	547,134	(14,230,665)
Total Capital Assets Being Depreciated, Net	12,703,615	2,891,276	(15,418)	15,579,473
Capital Assets Being Amortized				
Intangible assets - Leases	243,101		(33,151)	209,950
Intangible assets - SBITA	187,166	165,018	(25,120)	327,064
Total Assets Being Amortized	430,267	165,018	(58,271)	537,014
Less Accumulated Amortization For				
Intangible assets - Leases	(81,036)	(48,068)	17,128	(111,976)
Intangible assets - SBITA	(52,127)	(57,162)	25,120	(84,169)
Total Accumulated Amortization	(133,163)	(105,230)	42,248	(196,145)
Total Capital Assets Being Amortized, Net	297,104	59,788	(16,023)	340,869
Capital Assets, Net	$ 17,683,815	$ 4,614,405	$ (3,424,330)	$ 18,873,890

The beginning balances were restated to correct errors made in reporting SBITAs in prior years. See Note 16.

NOTE 5 – CAPITAL ASSETS (Continued)

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

Governmental Activities	Depreciation	Amortization	Total
General government	$ 204,243	$	$ 204,243
Public safety	96,132	105,230	201,362
Public works	558,269		558,269
	$ 858,644	$ 105,230	$ 963,874

NOTE 6 – LONG-TERM LIABILITIES

During the year ended September 30, 2025, the following changes occurred in long-term liabilities:

Governmental Activities	Restated Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Direct Borrowings					
Revolving Fund Loan	$ 458,257	$	$ (458,257)	$	$
Bank of America Loan	911,836		(319,067)	592,769	289,937
Total Direct Borrowings	1,370,093		(777,324)	592,769	289,937
Lease payable	145,381		(45,093)	100,288	48,380
SBITA payable	127,046	165,018	(65,288)	226,776	62,607
Net pension liability	4,526,268		(641,572)	3,884,696	
OPEB	111,857	15,021	(8,319)	118,559	8,000
Compensated absences	477,936	112,579		590,515	249,000
	5,388,488	292,618	(760,272)	4,920,834	367,987
	$6,758,581	$ 292,618	$ (1,537,596)	$ 5,513,603	$ 657,924

The beginning balances were restated for the implementation of GASB Statement No. 101 and for the correction of errors in prior years. See Note 16. The change in compensated absences is presented as a net change.

Interest Expense

Total interest costs incurred and paid on all Town debt for the year ended September 30, 2025 were $52,380 and $57,687, respectively.

NOTE 6 – LONG-TERM LIABILITIES (Continued)

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. The loan bears interest of approximately 3%.

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.

Principal and interest paid for the current fiscal year was $467,944 and total pledged revenues were $1,000,555. The loan was paid off in July 2025.

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.

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, 2025, the interest rate was 3.57380%.

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 $592,769 as of September 30, 2025.

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.

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, 2025, the swap had a negative fair value of $7,529 because interest rates have declined since the execution of the swap. The fair value increased $7,978 during the fiscal year ended September 30, 2025 from a negative fair value of $15,507 at September 30, 2024. 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, 2025, 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, 2025 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, 2025 remain constant over the life of the loan.

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Interest Rate Swap (Continued)

Year Ended September 30	Principal	Interest	Total	Interest Rate Swaps Net	Net Cash Flows
2026	$ 289,937	$ 17,587	$ 307,524	$ 3,647	$ 311,171
2027	302,832	6,907	309,739	1,432	311,171
	$ 592,769	$ 24,494	$ 617,263	$ 5,079	$ 622,342

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.

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
- DROP

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 96 months after electing to participate, 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.

<u>NOTE 7 – FLORIDA RETIREMENT SYSTEM</u> (Continued)

Pension Plan (Continued)

<u>Benefits Provided</u>

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.

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, 2025 were as follows:

Class	10/01/24 through 06/30/25	07/01/25 through 09/30/25
Regular Class	13.63%	14.03%
Senior Management Service Class	34.52%	33.24%
Special Risk Class	32.79%	35.19%
Elected Official Class	58.68%	54.57%
DROP	21.13%	22.02%

The employer contribution rates include a 2.00% HIS Plan subsidy for the period from October 1, 2024 through September 30, 2025. 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, 2025 the Town made contributions of $624,629 to the Pension Plan and the Town’s employees made contributions of $70,620, for total contributions of $695,249.

<u>NOTE 7 – FLORIDA RETIREMENT SYSTEM</u> (Continued)

Pension Plan (Continued)

<u>Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>

As of September 30, 2025, the Town reported a liability of $3,105,045 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The Town's proportionate share of the net pension liability was based on the Town's 2024-2025 fiscal year contributions relative to the 2024-2025 fiscal year contributions of all participating members. As of June 30, 2025, the Town's proportionate share was 0.010004936%, which was an increase of 0.000607748% from its proportionate share measured as of June 30, 2024

For the fiscal year ended September 30, 2025, the Town recognized pension expense of $380,298 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	$ 331,652	$
Changes of assumptions	360,576	
Net difference between projected and actual earnings on investments		518,417
Change in proportion and differences between Town contributions and proportionate share of contributions	193,732	96,470
Town Pension Plan contributions subsequent to the measurement date	177,541	
Total	$ 1,063,501	$ 614,887

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 $177,541 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, 2026. 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
2026	$ 502,351
2027	(55,142)
2028	(96,304)
2029	(79,832)
2030	
Thereafter	
	$ 271,073

Actuarial Assumptions

The total pension liability in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	July 1, 2025
Measurement date	June 30, 2025
Inflation	2.40 %
Salary increases	3.50%, 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-2021
Actuarial cost method	Individual Entry Age

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, 2025, were based on the results of an actuarial experience study for the period July 1, 2018 through June 30, 2023.

The long-term expected rate of return assumption of 6.7% used in GASB discount rate calculations consists of two building block components: 1) a long-term average annual inflation assumption of 2.4% as most recently adopted in October 2025 by the FRS Actuarial Assumption Conference; 2) an inferred real (in excess of inflation) return of 4.2%. 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 6.70% return assumption were determined to be reasonable and appropriate per Actuarial Standards of Practice.

For reference, the table below contains a summary of return 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 from the actuary’s model combined with the FRS Actuarial Assumption Conference 2.4% inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	(1) Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.2%	32.0%	1.1%
Fixed Income	29.0%	5.5%	5.4%	4.0%
Global Equity	45.0%	8.5%	6.9%	18.3%
Real Estate	12.0%	8.4%	7.1%	16.8%
Private Equity	11.0%	12.4%	8.8%	28.4%
Strategic Investments	2.0%	6.5%	6.1%	8.7%
	100.0%			
Assumed Inflaion - Mean			2.4%	1.5%

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

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, 2025 was 6.70%, which is the same as the rate as of June 30, 2024. 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	$ 6,092,276	$ 3,105,045	$ 600,594

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, 2025, the Town reported a payable in the amount of $79,764 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2025.

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, 2025, 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, 2025, the HIS contribution was 2.00%. The Town contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contribution 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 $60,736 for the fiscal year ended September 30, 2025.

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, 2025, the Town reported a liability of $779,651 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The Town's proportionate share of the net pension liability was based on the Town's 2024-2025 fiscal year contributions relative to the 2024-2025 fiscal year contributions of all participating members. As of June 30, 2025, the Town's proportionate share was 0.006082737%, which was an increase of 0.003143167% from its proportionate share measured as of June 30, 2024

For the fiscal year ended September 30, 2025, the Town recognized pension expense of $25,773. 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	$ 4,654	$ 1,237
Changes of assumptions	6,901	188,577
Net difference between projected and actual earnings on investments		649
Change in proportion and differences Town contributions and proportionate share of contributions	51,828	76,566
Town HIS Plan contributions subsequent to the measurement date	14,460	
Total	$ 77,843	$ 267,029

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 $14,460 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, 2026. 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
2026	$ (35,605)
2027	(54,343)
2028	(48,756)
2029	(42,782)
2030	(22,160)
Thereafter	
	$ (203,646)

Actuarial Assumptions

The total pension liability in the July 1, 2024, actuarial valuation was determined using the following actuarial assumptions:

Valuation date	July 1, 2024
Measurement date	June 30, 2025
Inflation	2.40 %
Salary increases	3.50%, average, including inflation
Municipal bond rate	5.20%
Investment rate of return	N/A
Mortality	Generational PUB-2010 with Projection Scale MP-2021
Actuarial cost method	Individual Entry Age

The actuarial assumptions that determined the total pension liability as of June 30, 2025, were based on the results of an actuarial experience study for the period July 1, 2018 through June 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, 2025 was 5.20%, which increased from the discount rate of 3.93% as of June 30, 2024. 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 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 5.20%, 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 (4.20) or one percentage point higher (6.20%) than the current rate:

	1% Decrease 4.20%	Current Discount Rate 5.20%	1% Decrease 6.20%
Town's proportionate share of the net pension liability	$ 879,182	$ 779,651	$ 696,176

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.

<u>NOTE 7 – FLORIDA RETIREMENT SYSTEM</u> (Continued)

Retiree Health Insurance Subsidy (HIS) Program (Continued)

<u>Payables to the Pension Plan</u>

At September 30, 2025, the Town reported a payable in the amount of $6,405 for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2025.

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, 2025.

Description	Pension Plan	HIS Program	Total
Total pension liability	$ 24,374,071	$ 832,587	$ 25,206,658
Plan fiduciary net position	21,269,026	52,936	21,321,962
Net pension liability (asset)	3,105,045	779,651	3,884,696
Deferred outflows of resources	1,063,501	77,843	1,141,344
Deferred inflows of resources	641,887	267,029	908,916
Pension expense (revenue)	380,298	25,773	406,071

Investment Plan

<u>Plan Description</u>

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.

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, 2025, are as follows:

Class	10/01/24 through 06/30/25	07/01/25 through 09/30/25
Regular Class	13.63%	14.03%
Senior Management Service Class	34.52%	33.24%
Special Risk Class	32.79%	35.19%
Elected Officials Class	58.68%	54.57%
DROP	21.13%	22.02%

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, 2025, 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.

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 $137,062 for the fiscal year ended September 30, 2025.

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.

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, 2025, the Town paid $1,480,420 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.

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.

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 Radio Maintenance Services

On October 5, 2021, the Town entered into an interlocal agreement with Palm Beach County for Radio Maintenance Services to be provided to the Town. The initial term of the agreement is for five years commencing on November 1, 2021. 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 October1st of any year and shall be with a minimum of three months notice.

Under the terms of the agreement, the Town will pay the County an annual maintenance charge based on hourly rates for labor plus the cost of parts. For the year ended September 30, 2025, the Town made payments in the amount of $26,408 pursuant to the agreement.

NOTE 10 – INTERFUND TRANSACTIONS

The following is a summary of interfund transactions for the year ended September 30, 2025:

Fund	Transfers In	Transfers Out
General Fund	$	$ 2,654,451
Capital Projects Fund	2,654,451	
	$ 2,654,451	$ 2,654,451

The transfer from the General Fund to the Capital Porjects Fund was to pay the costs of various capital projects.

NOTE 11 – 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 Statues limit the Town's maximum loss for most liability claims to $200,000 per person and $300,000 per occurrence under the Doctrine of Sovereign Immunity. However, under certain circumstances, a plaintiff can seek to recover damages in excess of statutory limits by introducing a claims bill to the Florida Legislature. The limits addressed in Florida Statutes do not apply to claims filed in Federal courts.

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

NOTE 12 – 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. On July 1, 2024, the agreement was amended to extend the term for two years. 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, 2025, the Town incurred costs of $257,708 for inspection services pursuant to the agreement.

NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)

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. The agreement was assigned to Waste Pro of Florida, Inc. (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. On July 8, 2024, the agreement was amended to extend the term of the agreement from October 1, 2024 through September 30, 2029. The amendment also amended the established rate schedule commencing October 1, 2024. After October 1, 2024, the rates may be increased on an annual basis for each October 1, in an amount set forth by the local All Urban Consumer CPI bust shall not exceed 5% per year. For the year ended September 30, 2025, the Town made payments of $302,356 pursuant to the agreement.

Storm Debris Management

The Town participates in a coordinated regional disaster debris management program through piggy-back agreements with competitively procured contracts administered by the Palm Beach County Solid Waste Authority (SWA). These agreements provide the Town with access to multiple qualified contractors for debris removal and debris management services following a declared natural disaster.

In 2025, following the SWA's exercise of its option to extend the underlying contracts through May 8, 2028, the Town Commission approved corresponding extensions of the Town's piggy-back agreements with AshBritt, Thompson Consulting Services, CrowderGulf Joint Venture, and Phillips & Jordan. These agreements ensure the Town maintains access to pre-qualified debris removal, monitoring, and management services to support timely disaster response and recovery operations.

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, 2025, compensation pursuant to the agreement was $25,879.

NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)

Construction Commitments

As of September 30, 2025, the Town had the following significant construction commitments:

Project	Contract Amount	Amount Completed	Amount to Complete
Water Main Improvements	$ 1,668,700	$ -	$ 1,668,700
Tropicla Pump Station Generator	177,675	88,838	88,837
	$ 1,846,375	$ 88,838	$ 1,757,537

NOTE 13 – 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.

Plan Membership

The following table provides a summary of the participants in the plan as of September 30, 2023, the latest valuation date:

Active plan members	26
Inactive plan members or beneficiaries currently receiving benefits	
Inactive plan members or beneficiaries entitled to but not yet receiving benefits	
	26

NOTE 13 – OTHER POST EMPLOYEMENT BENEFITS (Continued)

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, 2025, the rate was 4.50% 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.

Total OPEB Liability

The components of the total OPEB liability as of September 30, 2025 were as follows:

Description	Total OPEB Liability
Balance September 30, 2024	$ 111,857
Changes for the year:	
Service cost	10,122
Interest	4,899
Changes of assumptions	(5,706)
Benefit payments	(2,613)
Net change	6,702
Balance September 30, 2025	$ 118,559
Covered-employee payroll	$ 2,277,768
Total OPEB liability as a percentage of covered-employee payroll	5.21%

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

As of September 30, 2025, the Town reported a total OPEB liability of $118,559. For the fiscal year ended September 30, 2025, the Town recognized OPEB expense of $11,040. As of September 30, 2025, the Town did not report any deferred outflows of resources or deferred in flows of resources related to OPEB.

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 4.50% 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 3.50%	Discount Rate 4.50%	1% Increase 5.50%
Total OPEB Liability	$ 132,136	$ 118,559	$ 106,945

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 (7.00% 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% - 6.00%	Healthcare Cost Trend Rates 4.00% - 7.00%	1% Decrease 5.00% - 8.00%
Total OPEB Liability	$ 103,401	$ 118,559	$ 136,830

NOTE 13 – OTHER POST EMPLOYEMENT BENEFITS (Continued)

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, 2023
Measurement date	September 30, 2025
Actuarial cost method	Entry Age Cost Method
Inflation	2.50%
Discount rate	4.50%
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

Changes in Assumptions

The discount rate was changed from 4.06% as of the beginning of the measurement period to 4.50% as of September 30, 2025. This change is reflected in the schedule of changes in total OPEB liability.

NOTE 14 – 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.

NOTE 14 – LEASES (Continued)

During the current fiscal year the Town purchased one of the vehicles at a cost of $14,230 in accordance with the lease agreement.

At September 30, 2025, the Town reported a lease liability of $100,288 for the vehicles. The discount rate is 7.29%. The following is a schedule of the future minimum lease payments as of September 30, 2025:

Year Ended September 30	Principal	Interest	Annual Payment	Concluding Payment
2026	$ 48,380	$ 7,311	$ 55,691	$ 51,908
2027	51,908	3,783	55,691	1
	$ 100,288	$ 11,094	$ 111,382	

NOTE 15 – SBITAS

The Town has recorded two multi-year subscription-based information technology arrangements totaling $327,064. The Town discounted the future minimum payments using its estimated incremental borrowing rate of 4.0%.

The SBITAs are body cameras and an automatic license plate detection system for the Police Department. The annual payments are $35,370 and $35,000, respectively. The future minimum payments and the present value of the future minimum payments as of September 30, 2025 are as follows:

Year Ended September 30	Principal	Interest	Annual Payment
2026	$ 62,607	$ 7,763	$ 70,370
2027	63,803	6,567	70,370
2028	66,356	4,014	70,370
2029	34,010	1,360	35,370
	$ 226,776	$ 19,704	$ 246,480

NOTE 16 – RESTATEMENT OF BEGINNING NET POSITION

As discussed in Note 1, the Town implemented the provisions of GASB Statement No. 101, *Compensated Absences* during the current fiscal year. Implementation of this Statement resulted in the restatement of the beginning net position of the Governmental Activities. See the table below for details.

In prior years the assets and liabilities related to subscription-based information technology arrangements were incorrectly reported. The cumulative effect of applying prior period adjustments to correct these accounting errors has been reported as a restatement of the beginning net position of the Governmental Activities See the table below for details.

	Governmental Activities Net Position
Balance at September 30, 2024 - as reported	$ 21,190,525
Adjustment for implementation of GASB 101	(250,776)
Error correction - SBITA asset	91,289
Error correction - SBITA liability	(71,544)
Balance at September 30, 2024 - as restated	$ 20,959,494

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 6, 2026, the date that the financial statements were available to be issued and determined there were no events that occurred that require disclosure. No subsequent events after this date 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, 2025

	Original Adopted Budget	Final Revised Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Property taxes	$ 9,085,029	$ 9,085,029	$ 8,715,080	$ (369,949)
Utility service taxes	486,000	486,000	566,873	80,873
Gasoline taxes	54,500	54,500	59,583	5,083
1/2 Cent sales tax	165,000	165,000	191,528	26,528
Infrastructure surtax	150,000	150,000	199,082	49,082
Local business tax	1,300	1,300	1,158	(142)
Electric franchise fee	225,000	225,000	242,155	17,155
State shared revenues	52,140	52,140	62,713	10,573
Local shared revenues	9,150	9,150	3,608	(5,542)
Licenses and permits	704,300	704,300	768,898	64,598
Fines and forfeitures	27,250	27,250	183,511	156,261
Charges for services	694,200	694,200	697,546	3,346
Interest	508,000	508,000	544,008	36,008
Grants	1,261,929	1,261,929		(1,261,929)
Contributions	500	500	46,354	45,854
Miscellaneous revenues	18,198	18,198	22,320	4,122
Total revenues	13,442,496	13,442,496	12,304,417	(1,138,079)
Expenditures				
Town commission	45,398	45,398	20,770	24,628
Town manager	263,432	384,132	367,094	17,038
Town clerk/finance	461,774	449,611	458,068	(8,457)
Legal	277,500	207,500	156,657	50,843
Appointed boards	3,014	3,014	1,171	1,843
Other general government	1,275,760	1,247,760	1,266,531	(18,771)
Law enforcement	5,855,473	5,822,003	5,443,729	378,274
Protective inspections	585,807	585,807	628,070	(42,263)
Solid waste & recycling	327,340	327,340	302,356	24,984
Other physical environment	727,220	724,146	475,810	248,336
Public works	454,382	451,919	326,005	125,914
Contingency	500,000	528,470	344,239	184,231
Total expenditures	10,777,100	10,777,100	9,790,500	986,600
Excess (deficiency) of revenues over (under) expenditures	2,665,396	2,665,396	2,513,917	(151,479)
Other financing sources (uses)				
Insurance proceeds	5,000	5,000		(5,000)
Proceeds from sale of capital assets			55,101	55,101
Transfers out	(2,729,309)	(2,729,309)	(2,654,451)	74,858
Total other financing sources (uses)	(2,724,309)	(2,724,309)	(2,599,350)	124,959
Net change in fund balances	$ (58,913)	$ (58,913)	(85,433)	$ (26,520)
Fund balance, beginning of year			10,085,385	
Fund balance, end of year			$ 9,999,952	

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, 2025

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, 2025, the following department had expenditures in excess of appropriations:

Town clerk/finance	$ 8,457
Other general government	18,771
Protective inspections	42,263

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, 2025

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

	2023	2024	2025
Actuarial Valaution Date	09/30/2021	09/30/2023	09/30/2023
Measurement Date	09/30/2023	09/30/2024	09/30/2025
Employer's Reporting Date	09/30/2023	09/30/2024	09/30/2025
Total OPEB liability - beginning	$ 112,575	$ 124,307	$ 111,857
Changes for the year:			
Service cost	10,085	10,486	10,122
Interest	5,787	5,694	4,899
Difference between expected and actual experienc		(16,443)	
Changes of assumptions	(1,442)	(9,293)	(5,706)
Benefit payments	(2,698)	(2,894)	(2,613)
Net change in total OPEB liability	11,732	(12,450)	6,702
Total OPEB liability - ending	$ 124,307	$ 111,857	$ 118,559
Covered-employee payroll	$ 2,150,009	$ 2,222,213	$ 2,277,768
Total OPEB liability as a percentage of covered-employee payroll	5.78%	5.03%	5.21%

There are no assets accumulated in a trust that meets the criteria of GASB Codification P22.101 or P52.101 to pay related benefits.

<u>Changes in Assumptions</u>

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%
September 30, 2024 measurement date	4.06%
September 30, 2025 measurement date	4.50%

For the September 30, 2019 valuation date, the mortality assumption changed from RP-2000 Combined Healthy Mortality Tables projected to the valuaiton 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 updated for the 2019, 2021, amd 2023 valuation dates.

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
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%
2024	$ 504,246	$ 504,246	$	$ 2,117,018	23.82%
2025	$ 624,629	$ 624,629	$	$ 2,478,686	25.20%

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
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%
2024	0.009397188%	$ 3,635,274	$ 2,077,246	175.00%	83.70%
2025	0.010004936%	$ 3,105,045	$ 2,336,028	132.92%	87.26%

Changes in Assumptions

The discount rate changed as follows:

2016	7.60%
2017	7.10%
2018	7.00%
2019	6.90%
2020	6.80%
2021	6.80%
2022	6.70%
2023	6.70%
2024	6.70%
2025	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
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%
2024	$ 50,902	$ 50,902	$	$ 2,545,076	2.00%
2025	$ 60,736	$ 60,736	$	$ 3,036,814	2.00%

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
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%
2024	0.002939570%	$ 890,994	$ 2,513,695	35.45%	4.80%
2025	0.006082737%	$ 779,651	$ 2,777,952	28.07%	6.36%

Changes in Assumptions

The discount rate changed as follows:

2016	2.85%
2017	3.58%
2018	3.87%
2019	3.50%
2020	2.21%
2021	2.16%
2022	3.54%
2023	3.65%
2024	3.93%
2025	5.20%

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.

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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*

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 and each major fund of the Town of Ocean Ridge, Florida, as of and for the year ended September 30, 2025, 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 6, 2026.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified three deficiencies in internal control that we consider to be material weaknesses.

Finding 2024-1 Reconcile Bank Accounts on a Timely Basis

Condition: We noted that, in certain instances, bank statements were accumulated over several months before being reconciled to the appropriate general ledger accounts.

Criteria: Bank statements should be reconciled to the appropriate general ledger accounts on a monthly basis.

Effect: Failure to reconcile accounts on a monthly basis increases the risk that errors or other issues may go undetected and unresolved in a timely manner. Additionally, performing reconciliations promptly is generally more efficient, as transactions are more likely to be accurately recalled and understood when they are still recent.

Recommendation: We recommend that all bank accounts be reconciled each month prior to preparation of the monthly financial statements.

Management Response: The Town understands the importance of reconciling bank statements on a timely basis and has made changes in the monthly process to ensure all bank accounts are reconciled in a timely manner.

Finding 2024-2 Adjusting Journal Entries

Condition: During the audit, it was necessary to propose numerous journal entries to correct the Town’s account balances. Several transactions required reclassification to ensure they were reported in the appropriate accounts.

Criteria: Transactions should be reported accurately and on a timely basis in the accounting records.

Effect: Accurate financial information was not available on a timely basis.

Recommendation: We recommend that the Town review the accounting procedures and implement changes to ensure that accurate financial information is available on a timely basis.

Management Response: The Town experienced a turnover in the Town Manager/Finance Director and Treasurer positions during the audit timeline. Outside accounting consultants were contracted with to review the accounting records of the Town. Several entries were provided to the auditor including several reclassifications mentioned above. The Town does recognize these balances were not reconciled in a timely manner and will make certain changes in monthly and yearly closing procedures to eliminate or minimize any audit adjusting entries in future audits.

Finding 2025-1 Implementation of Governmental Accounting Standards

Condition: During the audit, it was necessary to propose journal entries to correct the Town’s account balances because recently issued accounting standards were not properly implemented.

Criteria: Transactions should be recorded in accordance with currently applicable accounting standards promulgated by the Governmental Accounting Standards Board (GASB), the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

***Effect*:** Accurate financial information was not available on a timely basis.

***Recommendation*:** We recommend that the Town's accounting personnel stay current with new accounting standards as they are issued. One way of doing this would be to join the Florida Government Finance Officers Association (FGFOA) and participate in the training programs and networking opportunities provided by the organization. The FGFOA also provides a mentoring program to enhance the skills of government finance professionals. Participants are paired with an experienced government finance professional whom they can communicate with in order to seek advice and obtain support.

***Management Response*:** During the first seven (7) months of Fiscal Year 2025, the former Town Manager also served as the Town's Finance Director. During this same period, the Town evaluated proposals from certified public accounting firms specializing in governmental financial management and accounting support; however, no contracts were approved for execution.

Although the Town maintained a Treasurer position, the role was primarily administrative and transactional in nature and did not include responsibility for monitoring, evaluating, or implementing newly issued Governmental Accounting Standards Board (GASB) pronouncements. Those responsibilities primarily rested with the Town Manager in the capacity of Finance Director. Together, the Town Manager/Finance Director and the Treasurer comprised the Town's accounting function during this period, limiting the organization's capacity to proactively research and implement new accounting standards while simultaneously managing day-to-day financial operations.

As part of the Town's ongoing efforts to strengthen its financial management practices, the organizational structure has been enhanced with increased segregation of duties, expanded financial oversight, and the engagement of outside governmental finance consultants, on an hourly basis, to provide technical expertise and staff training as needed.

Going forward, the Town will evaluate opportunities to fill the Treasurer position with an individual possessing FGFOA certification or comparable governmental finance training and experience, and/or continue utilizing qualified governmental finance consultants to assist with implementation of new accounting standards and compliance with evolving GASB requirements. These measures are intended to ensure that new accounting pronouncements are identified, evaluated, and implemented in a timely manner.

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 which is described below.

Finding 2025-2 Florida Retirement System Contributions

***Condition*:** During the audit we noted that the Town makes contributions to the Florida Retirement System based on the pay date for payroll. Contributions should be made based on the date the payroll period ended.

***Criteria*:** GASB Codification Section P20.225 states in part that payables to a defined benefit pension plan are normally expected to be liquidated with expendable available financial resources to the extent that amounts are due and payable pursuant to contractual or legal requirements. The legal requirement is found in Chapter 121.071(5), Florida Statues which states that contributions and accompanying payroll data are due and payable "no later than the 5th working day of the month during which the payroll period ended". This emphasizes the end of the pay period, not the pay date itself.

***Effect*:** Some contributions to the Florida Retirement System are being made late and the Town's liability for pension contributions is understated.

***Recommendation*:** We recommend that the Town revise the procedure for reporting and paying pension contributions to comply with applicable accounting and legal requirements.

***Management Response*:** Following the departure of the Treasurer in July 2025, the Town engaged a governmental financial consultant to ensure continuity of payroll and financial operations. During this transition, the consultant initially continued the existing payroll reporting and contribution process that had been in place in order to maintain uninterrupted operations.

The audit identified that Florida Retirement System (FRS) contributions should be reported and remitted based on the payroll period end date, rather than the payroll pay date, to comply with Chapter 121, Florida Statutes, and applicable accounting guidance.

The Town has reviewed this finding with its financial consultants and internal payroll processors and will revise its payroll reporting procedures to ensure FRS contributions are calculated, reported, and remitted based on the payroll period end date going forward. Internal procedures and review processes will also be updated to verify ongoing compliance with statutory reporting requirements.

Town's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Ocean Ridge, Florida's response to the findings identified in our audit and described above. The Town of Ocean Ridge, Florida's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
July 6, 2026

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, 2025, and have issued our report thereon dated July 6, 2026.

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 6, 2026 should be considered in conjunction with this Management Letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. Corrective actions have been taken to address Recommendation 2023-1 and Recommendation 2024-1 made in the preceding financial audit report and they no longer apply. Finding 2024-1 and Finding 2024-2 made in the preceding financial audit report still apply.

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 did not have any such recommendations.

Property Assessed Clean Energy (PACE) Programs

A PACE program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, did not operate within the Town of Ocean Ridge, Florida's geographical boundaries during the fiscal year under audit.

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 fraud, waste, or abuse, that has occurred, or is likely to have occurred, that has 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 identified the following finding.

Finding: 2025-3 Annual Financial Report

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, 2025.

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: During the preparation of the Fiscal Year 2025 financial statements, a number of accounting corrections and adjustments identified during the audit required additional time to research, reconcile, and accurately incorporate into the Town's financial records. As a result, the audit report and Annual Financial Report were submitted approximately one work-week after the statutory filing deadline.

The Town's goal was quality and accuracy in reporting, and to expedite the completion of the financial reporting process. To this end, the Town engaged an additional governmental financial consultant to assist with the preparation and review of the financial statements and required reporting.

Moving forward, the Town will continue utilizing qualified financial resources as needed, strengthen its year-end closing and review procedures, and begin the financial reporting process earlier to help ensure future reports are completed and submitted within the statutory deadlines while maintaining the accuracy and integrity of the Town's financial reporting.

Single Audits

The Town of Ocean Ridge, Florida expended less than $1,000,000 of federal awards and less than $750,000 of state financial assistance for the fiscal year ended September 30, 2025 and was not required to have a federal single audit or a state single audit.

Purpose of this Letter

Our Management Letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Town 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 6, 2026

NOWLEN, HOLT & MINER, P.A.
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INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

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, 2025. 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, 2025.

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 6, 2026