



# **TOWN OF OCEAN RIDGE, FLORIDA**

## **FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT THEREON**

**FISCAL YEAR ENDED SEPTEMBER 30, 2018**



TOWN OF OCEAN RIDGE, FLORIDA  
SEPTEMBER 30, 2018

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TOWN OF OCEAN RIDGE, FLORIDA  
SEPTEMBER 30, 2018

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## INDEPENDENT AUDITOR'S REPORT

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

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### Report on the Financial Statements

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, 2018, and the related notes to the financial statements, which collectively comprise the Town of Ocean Ridge, Florida's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

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, 2018, 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.

### ***Change in Accounting Principle***

As discussed in Note 14 to the financial statements, the Town implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the fiscal year ended September 30, 2018. The net position of the Governmental Activities as of October 1, 2017 has been restated. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 9, the budgetary comparison data on pages 57 and 58, the Schedule of Changes in Total OPEB Liability on page 59, and pension schedules on pages 60 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2019, 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 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, Helt & Mimes, P.A.*

West Palm Beach, Florida  
May 24, 2019

TOWN OF OCEAN RIDGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018

Within this section of the Town of Ocean Ridge annual financial report, the Town's management provides a narrative discussion and analysis of the financial activities of the Town for the fiscal year ended September 30, 2018. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. The discussion focuses on the Town's primary government.

## **FINANCIAL HIGHLIGHTS**

- § The Town's net position increased as a result of this year's operations. The assets plus deferred outflows of resources of the Town of Ocean Ridge exceeded its liabilities plus deferred inflows of resources at the close of the most recent fiscal year by \$13,883,187 (net position) compared to last year when assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$13,717,410. The net position at the end of 2018 included \$2,504,798 in unrestricted net position.
- § The government activities revenues were \$6,633,000 at the close of fiscal year 2018.
- § The Town's total expenses were \$6,467,223 during the fiscal year 2018.
- § Total fund expenditures were \$6,371,450 during fiscal year 2018. Total expenditures for the current year compared to prior year expenditures of \$6,085,376 increased by 5% or \$286,074.
- § At the end of the 2018 fiscal year, the unassigned fund balance for the General Fund was \$3,906,093 or 63% of total General Fund expenditures.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

*Management's Discussion and Analysis (MD&A)* introduces the Town's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

### ***Government-Wide Financial Statements***

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business. The statement of net position includes all of the government's assets, deferred outflows of resources, and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

## ***Fund Financial Statements***

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

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

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

## **FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE**

### ***Net Position***

The Town's combined net position for the fiscal year ending 2018 is \$13,883,187. This is a \$165,777 increase over last year's net position of \$13,717,410.

### **Summary of Net Position Total Primary Government**

	<b>2017 (1)</b>	<b>2018</b>
Current Assets	\$ 4,887,230	\$ 5,197,783
Capital Assets	16,811,357	16,359,161
<b>Total Assets</b>	<b>21,698,587</b>	<b>21,556,944</b>
<b>Deferred Outflows of Resources</b>	<b>1,621,927</b>	<b>1,519,556</b>
Current Liabilities	107,360	153,749
Non-current liabilities	9,234,986	8,683,195
<b>Total Liabilities</b>	<b>9,342,346</b>	<b>8,836,944</b>
<b>Deferred Inflows of Resources</b>	<b>260,758</b>	<b>356,369</b>
Net Investment in Capital Assets	10,970,791	11,100,223
Restricted for Debt Service	68,111	69,229
Restricted for Infrastructure	81,104	208,937
Unrestricted	2,597,404	2,504,798
<b>Total Net Position</b>	<b>\$ 13,717,410</b>	<b>\$ 13,883,187</b>

(1) Restated for the implementation of GASB Statement No. 75



### ***Changes in Net Position***

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

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

#### **Summary of Changes in Net Position**

	<b>2017 (1)</b>	<b>2018</b>
<b><u>Revenues:</u></b>		
Program Revenues:		
Charges for Services	\$ 696,427	\$ 718,455
Operating grants and contributions	52,359	114,033
Capital grants and contributions		
General Revenues:		
Property Taxes	4,614,347	4,754,905
Other Taxes	716,535	778,749
Intergovernmental	217,900	215,789
Investment earnings	26,815	29,289
Net decrease in fair value of investments	(16,602)	(4,668)
Miscellaneous	12,477	26,448
<b>Total Revenues</b>	<b>6,320,258</b>	<b>6,633,000</b>
<b><u>Expenses:</u></b>		
General Government	1,116,772	1,236,844
Public Safety	3,491,876	3,715,563
Public Services	662,875	661,810
Public Works	713,782	658,160
Interest on long term debt	214,009	194,846
<b>Total Expenses</b>	<b>6,199,314</b>	<b>6,467,223</b>
Increase in net position	120,944	165,777
Net Position, beginning	13,596,466	13,717,410
Net Position, ending	<b>\$ 13,717,410</b>	<b>\$ 13,883,187</b>

(1) Restated for the implementation of GASB Statement No. 75

The Town implemented the following Governmental Accounting Standard Boards (“GASB”) Statements during the fiscal year ended September 30, 2018:

- In June 2015 the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.
- In March 2016 the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreement*. This Statement improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Implementation of this Statement did not impact the Town’s financial statements.
- In March 2017 the GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).
- In May 2017 the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. Implementation of this Statement did not impact the Town’s financial statements.

See Note 1 to the financial statements for a discussion of the impact of these Statements.

### ***General Fund Budgetary Highlights***

Actual expenditures during 2018 were \$310,802 less than budgeted expenditures and actual revenues were \$67,202 more than budgeted amounts, which led to a \$378,004 excess of revenues over expenditures. A \$188,675 transfer was made to the Capital Projects Fund. The overall increase in the fund balance was \$145,729.

### ***Capital Asset and Debt Administration***

#### **Capital Assets**

At the end of the fiscal year 2018, the Town had \$16,359,161 invested in a broad range of capital assets including police equipment, building, infrastructure, and water improvements. Additional information about capital assets can be found in the Note 4 to the financial statements.

The following is a summary of capital assets as of September 30:

### Summary of Capital Assets Net of Accumulated Depreciation

	<u>2017</u>	<u>2018</u>
Land	\$ 801,675	\$ 801,675
Buildings	5,337,437	5,337,437
Equipment	1,179,453	1,263,971
Infrastructure	18,326,127	18,533,108
	<u>25,644,692</u>	<u>25,936,191</u>
Less Accumulated Depreciation	8,833,335	9,577,030
<b>TOTALS</b>	<u><u>\$ 16,811,357</u></u>	<u><u>\$ 16,359,161</u></u>

### Debt and Long-Term Liabilities

As of September 30, 2018, the Town had long-term liabilities of \$2,954,663 owed to the Florida Department of Environmental Protection as part of the State Revolving Loan, a federal program with state match, \$2,304,275 owed to Bank of America for a promissory note, \$105,425 in compensated absences, \$112,671 in other postemployment benefits, and a net pension liability of \$3,029,287.

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

### Summary of Long-Term Liabilities

	<u>2017</u>	<u>2018</u>
State Revolving Fund Loan	\$ 3,331,572	\$ 2,954,663
Bank of America Promissory Note	2,508,994	2,304,275
Net Pension Liability (1)	2,894,840	3,029,287
OPEB (1)	106,303	112,671
Compensated Absences	<u>96,878</u>	<u>105,425</u>
	<u><u>\$ 8,938,587</u></u>	<u><u>\$ 8,506,321</u></u>

(1) Restated for the implementation of GASB Statement No. 75

## ***Economic Factors and Next Year's Budgets and Rates***

The 2019 fiscal year, general fund revenue projections have been comparable to previous years.

- The General Fund Budget will require unappropriated funds to balance. This includes proposed transfers to Capital Projects.
- In FY19, the millage rate was increased to 5.350, a 5.88% increase over the rolled back rate. The currently adopted FY19 budget is a 5.80% increase over prior year. The total amount of Ad Valorem revenues is an increase of \$460,015 over the prior fiscal year budget.
- The cost for mosquito (Zika) and no-see-um spraying decreased from \$68,000 to \$48,000, due to a Town Commission directive to spray only on town property. The Town Commission added \$12,000 to the budget for iguana control as well.
- The Town received \$7,006,817 in State Revolving Fund Loan monies for the various stormwater drainage improvements in 2002 through 2006. The term of the loan is for 20-years with semi-annual payments. The yearly payment amount is \$467,944 made in two (2) payments.
- A three year contract with the Police Union became effective on October 1, 2018. The FY19 budget includes salaries and benefits approved in the contract. The contract runs until September 30, 2021.
- The FY19 police budget has \$149,400 in requests for capital items. The major items include \$80,000 for two new fully equipped police cars, \$10,400 for computers and chairs, \$49,000 for Phase II of the Information Technology hardware and software refresh, and \$10,000 for software migration.
- The proposed annualized cycle for a road repaving program was deferred for FY19, as \$216,000 was earmarked for drainage infrastructure enhanced maintenance.
- Boynton Beach Fire Department provides Fire services and Emergency Medical Services (EMS) to the Town. The cost for the 2019 fiscal year is \$1,145,258. The contract expires September 30, 2028.
- In FY19, the Town Commission voted to provide an in-house Building Department at the annual cost of \$134,621, and those costs are pass-through costs paid for by building permit revenues.

## ***Contacting the Town's Financial Management***

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

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Statement of Net Position**  
**September 30, 2018**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 4,410,613
Investments	496,699
Accounts receivable (net)	209,365
Prepays	3,115
Restricted cash and cash equivalents	77,991
Capital assets	
Non-depreciable	801,675
Depreciable (net of depreciation)	15,557,486
Total assets	<u>21,556,944</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related items	1,342,682
Accumulated decrease in fair value - interest rate swap	176,874
Total deferred outflows of resources	<u>1,519,556</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	88,597
Accrued payroll	39,542
Accrued interest payable	16,848
Accrued interest payable from restricted assets	8,762
Non-current liabilities	
Interest rate swap	176,874
Due within one year	643,568
Due in more than one year	7,862,753
Total liabilities	<u>8,836,944</u>
<b>DEFERRED INFOWS OF RESOURCES</b>	
Pension related items	356,369
Total deferred inflows of resources	<u>356,369</u>
<b>NET POSITION</b>	
Net investment in capital assets	11,100,223
Restricted for debt service	69,229
Restricted for infrastructure	208,937
Unrestricted	2,504,798
Total net position	<u><u>\$ 13,883,187</u></u>

See notes to the financial statements

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Statement of Activities**  
**For the Fiscal Year Ended September 30, 2018**

Function / Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities					
General government	\$ 1,236,844	\$ 286,857	\$ 999	\$	\$ (948,988)
Public safety	3,715,563	124,757	56,564		(3,534,242)
Public works	661,810		56,470		(605,340)
Physical environment	658,160	306,841			(351,319)
Interest on long term debt	194,846				(194,846)
Total governmental activities	6,467,223	718,455	114,033		(5,634,735)
General revenues					
Property taxes					4,754,905
Infrastructure surtax					127,833
Utility service taxes					425,384
Franchise taxes					168,538
Gasoline taxes					56,994
State shared revenues - unrestricted					191,937
Local shared revenues - unrestricted					23,852
Interest income					29,289
Net decrease in fair value of investments					(4,668)
Miscellaneous					26,448
Total general revenues					5,800,512
Change in net position					165,777
Net position, beginning of year, as restated					13,717,410
Net position, end of year					\$ 13,883,187

See notes to the financial statements

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2018**

	General	Capital Projects	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,283,605	\$ 127,008	\$ 4,410,613
Investments	496,699		496,699
Receivables (net)	209,365		209,365
Prepaid items	3,115		3,115
Restricted cash and cash equivalents	77,991		77,991
Total assets	<u>\$ 5,070,775</u>	<u>\$ 127,008</u>	<u>\$ 5,197,783</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 88,597	\$	\$ 88,597
Accrued payroll	39,542		39,542
Total liabilities	<u>128,139</u>		<u>128,139</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	101,500		101,500
Total deferred inflows of resources	<u>101,500</u>		<u>101,500</u>
<b>FUND BALANCES</b>			
Non-Spendable:			
Prepays	3,115		3,115
Restricted for:			
Debt service	77,991		77,991
Infrastructure	208,937		208,937
Assigned to:			
Self insurance	160,000		160,000
Drainage	370,000		370,000
Beautification	115,000		115,000
Capital projects		127,008	127,008
Unassigned	3,906,093		3,906,093
Total fund balances	<u>4,841,136</u>	<u>127,008</u>	<u>4,968,144</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,070,775</u>	<u>\$ 127,008</u>	<u>\$ 5,197,783</u>

See notes to the financial statements

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Reconciliation of the Balance Sheet – Governmental Funds**  
**to the Statement of Net Position**  
**September 30, 2018**

Fund balances total governmental funds \$ 4,968,144

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

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

Governmental capital assets	\$ 25,936,191	
Less accumulated depreciation	<u>(9,577,030)</u>	16,359,161

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

Unavailable revenue	101,500
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Long-term liabilities, including notes and bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

Compensated absences	(105,425)	
Loans payable	(5,258,938)	
Net pension liability	(3,029,287)	
Total other postemployment benefits liability	(112,671)	
Accrued interest on long-term debt	<u>(25,610)</u>	(8,531,931)

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

Pension related deferred outflows	1,342,682	
Pension related deferred inflows	<u>(356,369)</u>	986,313

Net position of governmental activities	<u><u>\$ 13,883,187</u></u>
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See notes to the financial statements



**TOWN OF OCEAN RIDGE, FLORIDA**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Governmental Funds**  
**For the Fiscal Year Ended September 30, 2018**

	General	Capital Projects	Total
REVENUES			
Property taxes	\$ 4,754,905	\$	\$ 4,754,905
Utility service taxes	425,384		425,384
Gasoline taxes	56,994		56,994
1/2 Cent sales tax	144,047		144,047
Infrastructure surtax	127,833		127,833
Local business tax	948		948
Electric franchise fee	168,538		168,538
State shared revenues	47,010		47,010
Local shared revenues	23,852		23,852
Licenses and permits	268,544		268,544
Fines and forfeitures	73,097		73,097
Charges for services	375,866		375,866
Interest	29,205	84	29,289
Decrease in fair value	(4,668)		(4,668)
Contributions	999		999
Miscellaneous	13,179		13,179
Total revenues	<u>6,505,733</u>	<u>84</u>	<u>6,505,817</u>
EXPENDITURES			
Current			
General government	1,061,986		1,061,986
Public safety	3,373,205		3,373,205
Public works	250,968	757	251,725
Physical environment	658,160		658,160
Debt service			
Principal	581,628		581,628
Interest	197,460		197,460
Capital outlay	73,605	173,681	247,286
Total expenditures	<u>6,197,012</u>	<u>174,438</u>	<u>6,371,450</u>
Excess (deficiency) of revenues over expenditures	<u>308,721</u>	<u>(174,354)</u>	<u>134,367</u>
OTHER FINANCING SOURCES (USES)			
Insurance proceeds	25,683		25,683
Transfers in		188,675	188,675
Transfers out	(188,675)		(188,675)
Total other financing sources (uses)	<u>(162,992)</u>	<u>188,675</u>	<u>25,683</u>
Net change in fund balances	145,729	14,321	160,050
Fund balances, beginning of year	<u>4,695,407</u>	<u>112,687</u>	<u>4,808,094</u>
Fund balances, end of year	<u>\$ 4,841,136</u>	<u>\$ 127,008</u>	<u>\$ 4,968,144</u>

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 Fiscal Year Ended September 30, 2018**

Net change in fund balances - total governmental funds \$ 160,050

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets	\$ 350,671	
Less: current year depreciation	<u>(789,829)</u>	(439,158)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments on debt	581,628
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Gains and losses on the disposal of fixed assets are not reported in the governmental funds but are reported in the statement of activities

Net book value of fixed asset disposals	(13,038)
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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	101,500
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Decrease in accrued interest payable	2,614	
Increase in compensated absences payable	(8,547)	
Increase in other postemployment benefits	(6,368)	
Change in net pension liability and related deferred amounts	<u>(212,904)</u>	<u>(225,205)</u>

Change in net position	<u><u>\$ 165,777</u></u>
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See notes to the financial statements

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Reporting Entity**

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

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

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

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

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

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**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 of 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.

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

*Governmental Funds* (Continued)

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 following 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 and money market accounts. The Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

*Investments*

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

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**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

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

*Compensated Absences*

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

*Interest Rate Swaps*

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

*Interest Cost*

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

*Unearned Revenue*

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

*Unavailable Revenue*

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

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**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 in order 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 position 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 position applicable to future periods and will not be recognized as revenue until the future period(s). The Town has two items that qualify for reporting in this category. They are pension related items and business tax receipts that are received by the Town prior to the period for which the taxes are levied.

*Interfund Transactions*

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



**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Fund Balances**

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

1. Nonspendable fund balances – Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale. However, if the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned, then they should be included in the appropriate fund balance classification (restricted, committed, or assigned), rather than the nonspendable fund balance. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.
2. Restricted fund balance – Includes amounts that are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
3. Committed fund balance – Includes amounts that can be used only for specific purposes pursuant to constraints imposed by an ordinance, the Town’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action employed to previously commit those amounts.
4. Assigned fund balance – Includes amounts intended to be used by the Town for specific purposes, but are neither restricted nor committed. In accordance with the Town’s fund balance policy, assignments may be made by formal action of the Town Commission or authority may be delegated to the Town Manager.
5. Unassigned fund balance – Includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**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.

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Property Taxes**

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

The tax levy of the Town is established by the Town 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, 2018 was 5.2500 (\$5.2500 for each \$1,000 of assessed valuation).

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

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

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

**Use of Estimates**

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

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

*Implementation of Governmental Accounting Standards Board Statements*

The Town implemented the following Governmental Accounting Standards Board Statements during the fiscal year ended September 30, 2018.

In June 2015 the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

In March 2016 the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreement*. This Statement improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Implementation of this Statement did not impact the Town's financial statements.

In March 2017 the GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

In May 2017 the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. Implementation of this Statement did not impact the Town's financial statements.

*Recently Issued Accounting Pronouncements*

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

In November 2016 the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for an asset retirement obligation. This Statement is effective for the fiscal year ending September 30, 2019

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Recently Issued Accounting Pronouncements** (Continued)

In January 2017 the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement will improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for the fiscal year ending September 30, 2020.

In May 2017 the GASB issued Statement No. 87, *Leases*. This Statement will increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting that is based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement is effective for the fiscal year ending September 30, 2021.

In March 2018 the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement will improve the information that is disclosed in notes to the government financial statements related to debt, including direct borrowings and direct placements. It will also clarify which liabilities governments should include when disclosing information related to debt. This Statement is effective for the fiscal year ending September 30, 2019.

In June 2018 the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement will enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplify accounting for interest cost incurred before the end of a construction period. This Statement is effective for the fiscal year ending September 30, 2021

In August 2018 the GASB issued Statement No. 90, *Major Equity Interests*. This Statement will improve consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement is effective for the fiscal year ending September 30, 2020.

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 2 – BUDGETARY INFORMATION**

*Budget Policy and Practice*

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.

*Basis of Budgeting*

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 on the basis of generally accepted accounting principles in the United States of America. The budget and actual financial statements are also reported on this basis. 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 at year end are considered insured for custodial credit risk purposes. As of September 30, 2018, the bank balance of the Town's deposits was \$4,586,562 and the carrying amount was \$4,488,454. The Town also had \$150 in petty cash for a total carrying amount of \$4,488,604.

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 3 – DEPOSITS AND INVESTMENTS** (Continued)

*Investments*

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

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

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 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.   |

The level in which an asset is assigned is not indicative of its quality but an indication of the source of valuation inputs.

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 3 – DEPOSITS AND INVESTMENTS** (Continued)

*Investments* (Continued)

As of September 30, 2018, the Town reported the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Credit Rating</u>
U.S. Treasury Note	0.67 years	<u>\$ 496,699</u>	AAA

  

<u>Investment</u>	<u>Fair Value Level 1</u>	<u>Fair Value Level 2</u>	<u>Fair Value Level 3</u>
U.S. Treasury Note	<u>\$</u>	<u>\$ 496,699</u>	<u>\$</u>

*Credit Risk*

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Town's investment policies limit its investments to high quality investments to control credit risk.

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

*Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments that are in the possession of an outside party. At September 30, 2018, all the Town's investments were insured or collateralized.



**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2018, was as follows:

<b><u>Governmental Activities</u></b>	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Ending Balance</u></b>
Capital assets not being depreciated				
Land	\$ 801,675	\$	\$	\$ 801,675
Construction in progress				
<b>Total non-depreciable assets</b>	<u>801,675</u>			<u>801,675</u>
Capital assets being depreciated				
Building	5,337,437			5,337,437
Infrastructure	18,326,127	206,981		18,533,108
Equipment	1,179,453	143,690	(59,172)	1,263,971
<b>Total depreciable assets</b>	<u>24,843,017</u>	<u>350,671</u>	<u>(59,172)</u>	<u>25,134,516</u>
<b>Total capital assets</b>	<u>25,644,692</u>	<u>350,671</u>	<u>(59,172)</u>	<u>25,936,191</u>
Less accumulated depreciation				
Buildings	(1,677,228)	(176,723)		(1,853,951)
Infrastructure	(6,449,941)	(463,701)		(6,913,642)
Equipment	(706,166)	(149,405)	46,134	(809,437)
<b>Total accumulated depreciation</b>	<u>(8,833,335)</u>	<u>(789,829)</u>	<u>46,134</u>	<u>(9,577,030)</u>
<b>Depreciable assets, net</b>	<u>16,009,682</u>	<u>(439,158)</u>	<u>(13,038)</u>	<u>15,557,486</u>
<b>Capital assets, net</b>	<u>\$ 16,811,357</u>	<u>\$ (439,158)</u>	<u>\$ (13,038)</u>	<u>\$ 16,359,161</u>

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

**Governmental activities:**

General government	\$ 256,858
Public safety	122,311
Public works	<u>410,660</u>
<b>Total depreciation expense for governmental activities</b>	<u>\$ 789,829</u>

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 5 – RECEIVABLES**

Receivables as of September 30, 2018, for the Town's major funds are as follows:

	<u>General Fund</u>
Grants receivable	\$ 101,500
Taxes receivable	59,959
Due from other governments	40,526
Accounts receivable - billed	4,673
Interest receivable	2,507
Other receivables	200
Total receivables	<u>209,365</u>
Less allowance for uncollectible accounts	
Net receivables	<u><u>\$ 209,365</u></u>

**NOTE 6 – LONG-TERM LIABILITIES**

*State Revolving Loan Fund*

The State Revolving Loan Fund was initially obtained by the Town in 2002 in the amount of \$439,398 for planning and design for major drainage improvements. The loan was amended in 2004 to include an additional \$3,988,000 for construction, amended again in 2005 for additional construction funds of \$1,679,076 and amended again in 2006 for additional construction funds of \$900,343. The loan is payable from and secured by the Local Government Half-cent Sales Tax revenue, Florida Power and Light Franchise Tax revenue, Communications Service Tax revenue, and Utility Service Tax revenues received yearly. Principal and interest paid for the current fiscal year was \$467,944 and total pledged revenues were \$737,969. At September 30, 2018, principal and interest to maturity in 2025 to be paid from pledged future revenues totaled \$3,275,606. As of September 30, 2018, outstanding principal, including capitalized interest, was \$2,954,663. The loan bears interest of approximately 3%.

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 6 – LONG-TERM LIABILITIES** (Continued)

*State Revolving Loan Fund* (Continued)

Estimated annual debt service requirements to maturity based on the outstanding balance on the loan as of September 30, 2018 are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 387,575	\$ 80,369	\$ 467,944
2020	398,549	69,395	467,944
2021	409,834	58,110	467,944
2022	421,438	46,506	467,944
2023	433,370	34,574	467,944
2024-2025	<u>903,897</u>	<u>31,989</u>	<u>935,886</u>
	<u>\$ 2,954,663</u>	<u>\$ 320,943</u>	<u>\$ 3,275,606</u>

*Bank of America Town Hall Promissory Note*

The \$4,000,000 Bank of America Promissory Note was obtained in August 2007 for the purpose of constructing a new town hall. 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 equal to the sum of 63.7% of the USD-LIBOR-BBA one month rate plus 0.80%. As of September 30, 2018, the interest rate was 2.23998%.

*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 USD-LIBOR-BBA one month rate 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 \$2,304,275 as of September 30, 2018.

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 6 – LONG-TERM LIABILITIES** (Continued)

**Interest Rate Swap** (Continued)

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 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.

**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 USD-LIBOR-BBA one month rate plus 0.80%.

**Fair Value:** As of September 30, 2018, the swap had a negative fair value of \$176,874 because interest rates have declined since the execution of the swap. The fair value increased \$119,525 during the fiscal year ended September 30, 2018 from a negative fair value of \$296,399 at September 30, 2017. 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, 2017, 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's fair value. As of September 30, 2018, 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 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.

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 6 – LONG-TERM LIABILITIES** (Continued)

*Interest Rate Swap* (Continued)

**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, 2018 remain constant over the life of the loan.

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Variable Rate Interest</u>	<u>Interest Rate Swaps, Net</u>	<u>Net Cash Flows</u>
2019	\$ 213,823	\$ 50,535	\$ 46,813	\$ 311,171
2020	223,092	45,723	42,356	311,171
2021	233,254	40,448	37,469	311,171
2022	243,627	35,063	32,481	311,171
2023	254,461	29,439	27,271	311,171
2024-2027	1,136,018	56,411	52,257	1,244,686
Totals	<u>\$ 2,304,275</u>	<u>\$ 257,619</u>	<u>\$ 238,647</u>	<u>\$ 2,800,541</u>

*Interest Expense*

Total interest costs incurred and paid on all Town debt for the year ended September 30, 2018 was \$194,872 and \$197,460, respectively.

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 6 – LONG-TERM LIABILITIES** (Continued)

During the year ended September 30, 2018, the following changes occurred in long-term liabilities:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revolving Fund Loan	\$ 3,331,572	\$	\$ (376,909)	\$ 2,954,663	\$ 387,575
Bank of America Loan	2,508,994		(204,719)	2,304,275	213,823
Net pension liability (1)	2,894,840	134,447		3,029,287	
OPEB (1)	106,303	15,741	(9,373)	112,671	
Compensated absences	<u>96,878</u>	<u>108,634</u>	<u>(100,087)</u>	<u>105,425</u>	<u>42,170</u>
	<u>\$ 8,938,587</u>	<u>\$ 258,822</u>	<u>\$ (691,088)</u>	<u>\$ 8,506,321</u>	<u>\$ 643,568</u>

(1) Restated for the implementation of GASB Statement No. 75

**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](http://www.dms.myflorida.com).

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 7 – FLORIDA RETIREMENT SYSTEM** (Continued)

*Significant Accounting Policies*

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

***Pension Plan***

*Plan Description*

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

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

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

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

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 7 – FLORIDA RETIREMENT SYSTEM** (Continued)

***Pension Plan*** (Continued)

**Benefits Provided**

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

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

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



**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 7 – FLORIDA RETIREMENT SYSTEM** (Continued)

***Pension Plan*** (Continued)

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.

**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, 2018 were as follows:

Class	10/01/17 through 06/30/18	07/01/18 through 09/30/18
Regular Class	7.92%	8.26%
Senior Management Service Class	22.71%	24.06%
Special Risk Class	23.27%	24.50%
Elected Official Class	45.50%	48.70%
DROP	13.26%	14.03%

The employer contribution rates include a 1.66% HIS Plan subsidy. 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, 2018 the Town made contributions of \$205,927 to the Pension Plan and the Town's employees made contributions of \$39,737, for total contributions of \$245,664.

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 7 – FLORIDA RETIREMENT SYSTEM** (Continued)

***Pension Plan*** (Continued)

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

At September 30, 2018, the Town reported a liability of \$2,488,205 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The Town's proportionate share of the net pension liability was based on the Town's 2017-18 plan year contributions relative to the 2017-18 plan year contributions of all participating members. At June 30, 2018, the Town's proportionate share was .008260829 percent, which was an increase of .000260890 percent from its proportionate share measured as of June 30, 2017.

For the fiscal year ended September 30, 2018, the Town recognized pension expense of \$423,067 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	\$ 210,788	\$ 7,651
Change of assumptions	813,024	
Net difference between projected and actual earnings on Pension Plan investments		192,244
Change in proportion and differences between Town Pension Plan contributions and proportionate share of contributions	137,498	79,512
Town Pension Plan contributions subsequent to the measurement date	60,473	
Total	<u>\$ 1,221,783</u>	<u>\$ 279,407</u>

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**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 \$60,473 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, 2018. 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	Amount
2019	\$ 315,560
2020	234,444
2021	57,658
2022	155,871
2023	101,057
Thereafter	17,313
	<u>\$ 881,903</u>

**Actuarial Assumptions**

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	July 1, 2018
Measurement date	June 30, 2018
Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Investment rate of return	7.40%, net of pension plan investment expense, including inflation
Mortality	Generational RP-2000 with projection scale BB
Actuarial cost method	Individual Entry Age

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 7 – FLORIDA RETIREMENT SYSTEM** (Continued)

***Pension Plan*** (Continued)

**Actuarial Assumptions** (Continued)

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

The long-term expected rate of return on investments is not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>(1) Target Allocation</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Annual Standard Deviation</u>
Cash	1.0%	2.9%	2.9%	1.8%
Fixed Income	18.0%	4.4%	4.3%	4.0%
Global Equity	54.0%	4.6%	6.3%	17.0%
Real Estate (Property)	11.0%	6.6%	6.0%	11.3%
Private Equity	10.0%	10.7%	7.8%	26.5%
Strategic Investments	6.0%	6.0%	5.7%	8.6%
Total	<u>100.0%</u>			

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

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 7 – FLORIDA RETIREMENT SYSTEM** (Continued)

***Pension Plan*** (Continued)

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability	\$ 4,541,078	\$ 2,488,205	\$ 783,172

**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 Comprehensive Annual Financial Report.

**Payables to the Pension Plan**

At September 30, 2018, the Town reported no payable for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2018.

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**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, 2018, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 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, 2018, the HIS contribution was 1.66%. 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 \$27,708 for the fiscal year ended September 30, 2018.

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**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**

At September 30, 2018, the Town reported a liability of \$541,082 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The Town's proportionate share of the net pension liability was based on the Town's 2017-18 plan year contributions relative to the 2017-18 plan year contributions of all participating members. At June 30, 2018, the Town's proportionate share was .005112213 percent, which was an increase of .000176958 percent from its proportionate share measured as of June 30, 2017.

For the fiscal year ended September 30, 2018, the Town recognized pension expense of \$45,810. 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	\$ 8,284	\$ 919
Change of assumptions	60,175	57,208
Net difference between projected and actual earnings on Pension Plan investments	327	
Change in proportion and differences between Town Pension Plan contributions and proportionate share of contributions	44,200	18,835
Town Pension Plan contributions subsequent to the measurement date	7,913	
Total	\$ 120,899	\$ 76,962

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**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 \$7,913 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, 2018. 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:	Amount
2019	\$ 12,992
2020	12,964
2021	11,413
2022	6,496
2023	(6,855)
Thereafter	(986)
	<u>\$ 36,024</u>

**Actuarial Assumptions**

The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions:

Valuation date	July 1, 2018
Measurement date	June 30, 2018
Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Municipal bond rate	3.87%
Investment rate of return	N/A
Mortality	Generational RP-2000 with Projection Scale BB
Actuarial cost method	Individual Entry Age

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.



**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**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 was 3.87%. 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 3.87%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current rate:

	<u>1% Decrease</u> <u>(2.87%)</u>	<u>Discount Rate</u> <u>(3.87%)</u>	<u>1% Increase</u> <u>(4.87%)</u>
Town's proportionate share of the net pension liability	\$ 616,261	\$ 541,082	\$ 478,417

**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 Comprehensive Annual Financial Report.

**Payables to the Pension Plan**

At September 30, 2018, the Town reported no payable for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2018.

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 7 – FLORIDA RETIREMENT SYSTEM** (Continued)

***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, 2018.

Description	Pension Plan	HIS Plan	Total
Proportionate share of total pension liability	\$ 15,804,403	\$ 552,966	\$ 16,357,369
Proportionate share of plan fiduciary net position	13,316,199	11,884	13,328,083
Proportionate share of net pension liability	2,488,205	541,082	3,029,287
Proportionate share of deferred outflows of resources	1,221,783	120,899	1,342,682
Proportionate share of deferred inflows of resources	279,407	76,962	356,369
Pension expense	423,067	45,810	468,877

***Investment Plan***

**Plan Description**

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

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

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**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, 2018, are as follows:

Class	10/01/17 through 06/30/18	07/01/18 through 09/30/18
Regular Class	7.92%	8.26%
Senior Management Service Class	22.71%	24.06%
Special Risk Class	23.27%	24.50%
Elected Officials Class	45.50%	48.70%
DROP	13.26%	14.03%

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, 2018, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Town.

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**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 \$64,326 for the fiscal year ended September 30, 2018.

**NOTE 8 – DEFERRED COMPENSATION PLAN**

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

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

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

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**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, 2018, the Town paid \$1,101,207 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.

**NOTE 10 – RISK MANAGEMENT**

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

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

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 11 – COMMITMENTS**

*Inspection Services*

On August 1, 2012, the Town entered into an agreement with Hy-Byrd Incorporated to perform the services of building official. 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. However, 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, 2018, the Town incurred costs of \$100,181 for inspection services pursuant to the agreement.

*Solid Waste and Recycling Collection Services*

Effective October 1, 2009, the Town entered into an agreement with Republic Services of Florida, Limited Partnership (Republic) for solid waste and recycling collection services. The agreement is for a five year term ending September 30, 2014, with an option to renew for an additional five years. In June 2014, the Town exercised the option to renew the agreement for an additional five year term ending September 30, 2019. Under the terms of the agreement, the Town pays an established rate per month per unit picked up curbside or containerized. Republic bills the Town monthly for services provided. For the year ended September 30, 2018, the Town made payments of \$249,853 pursuant to the agreement.

*Storm Debris Management*

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

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS**

*Plan Description*

The Town provides a single employer defined benefit health care plan to all of its employees. The plan allows its employees and their beneficiaries to continue to obtain health benefits upon retirement. The benefits of the plan are in accordance with Florida Statutes, which are the legal authority for the plan. 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, 2017, 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	<u>26</u>

*Discount Rate*

The City 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, 2018, the rate was 4.18% 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. The discount rate as of the beginning of the measurement year was 3.64%.

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS** (Continued)

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

At September 30, 2018, the Town reported a total OPEB liability of \$112,671. For the fiscal year ended September 30, 2018, the Town recognized OPEB expense of \$13,011. As of September 30, 2018, the Town did not report any deferred outflows of resources or deferred in flows of resources related to OPEB.

*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, 2017
Measurement date	September 30, 2018
Actuarial cost method	Entry Age Cost Method
Inflation	2.50%
Discount rate	4.18%
Retirement rates	100% at age 60
Mortality tables	RP-2000 Combined Healthy Mortality Tables projected to the valuation date using Projection Scale AA
Healthcare cost trend rates	Initially 8.50% 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 3.64% as of the beginning of the measurement period to 4.18% as of September 30, 2018. This change is reflected in the schedule of changes in total OPEB liability. There were no benefit changes during the year.



**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS** (Continued)

*Total OPEB Liability*

The components of the total OPEB liability as of September 30, 2018 were as follows:

Description	Total OPEB Liability
Balance September 30, 2017, as restated	\$ 106,303
Changes for the year:	
Service cost	11,521
Interest	4,220
Changes of assumptions	(5,630)
Benefit payments	(3,743)
Net change	<u>6,368</u>
Balance September 30, 2018	<u><u>\$ 112,671</u></u>

*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 3.64% 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 3.18%	Discount Rate 4.18%	1% Increase 5.18%
Total OPEB Liability	\$ 123,434	\$ 112,671	\$ 103,235

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS** (Continued)

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

The following table presents the total OPEB liability of the Town calculated using the assumed trend rates (8.50% decreasing to 4.00%) as well as what the Town's total OPEB liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher than the assumed trend rates.

	Healthcare Cost		
	1% Decrease	Trend Rate	1% Increase
<u>Healthcare Trend Rate Sensitivity</u>	<u>3.00% - 7.50%</u>	<u>4.00% - 8.50%</u>	<u>5.00% - 9.50%</u>
Total OPEB Liability	\$ 95,929	\$ 106,303	\$ 118,395

**NOTE 13 – OPERATING LEASES**

In December 2016, the Town entered into an operating lease for a copier for use by the Police Department. The lease is for a term of 36 months and requires minimum monthly payments of \$193 that commenced in January 2017. For the year ended September 30, 2018, the Town made payments of \$2,900 pursuant to the lease.

The following is a schedule of the Town's required future minimum lease payments under the agreement.

<u>Year Ended September 30</u>	<u>Minimum Lease Payments</u>
2019	\$ 2,316
2020	579
	<u>\$ 2,895</u>

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2018**

**NOTE 13 – OPERATING LEASES** (Continued)

In July 2017, the Town entered into an operating lease for a copier for use in Town Hall. The lease is for a term of 36 months and requires minimum monthly payments of \$217 that commenced in August 2017. For the year ended September 30, 2018, the Town made payments of \$4,081 pursuant to the lease.

The following is a schedule of the Town's required future minimum lease payments under the agreement.

<u>Year Ended</u> <u>September 30</u>	<u>Minimum</u> <u>Lease</u> <u>Payments</u>
2019	\$ 2,604
2020	2,170
	<u>\$ 4,774</u>

**NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE**

As discussed in Note 1, the Port implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, during the current fiscal year. This Statement requires employers participating in a single employer defined other postemployment benefit plan (OPEB) to report the total OPEB liability and related OPEB amounts of the plan. The cumulative effect of applying this Statement has been reported as a restatement of the beginning net position of the Governmental Activities on the entity-wide financial statements. A reconciliation of the prior period ending net position to the current period beginning net position is as follows:

Balance at September 30, 2017, as reported	\$ 13,782,563
Adjustment for adoption of GASB 75	<u>(65,153)</u>
Balance at September 30, 2017, as restated	<u>\$ 13,717,410</u>

**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 Fiscal Year Ended September 30, 2018**

	Original Adopted Budget	Final Revised Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 4,785,412	\$ 4,785,412	\$ 4,754,905	\$ (30,507)
Utility service taxes	393,000	393,000	425,384	32,384
Gasoline taxes	51,500	51,500	56,994	5,494
1/2 Cent sales tax	145,000	145,000	144,047	(953)
Infrastructure surtax	108,000	108,000	127,833	19,833
Local business tax	500	500	948	448
Electric franchise fee	166,000	166,000	168,538	2,538
State shared revenues	43,850	43,850	47,010	3,160
Local shared revenues	32,000	32,000	23,852	(8,148)
Licenses and permits	283,125	283,125	268,544	(14,581)
Fines and forfeitures	15,744	15,744	73,097	57,353
Charges for services	371,750	371,750	375,866	4,116
Interest	20,500	20,500	29,205	8,705
Decrease in fair value of investments			(4,668)	(4,668)
Grants	1,000	1,000		(1,000)
Contributions	1,400	1,400	999	(401)
Miscellaneous revenues	19,750	19,750	13,179	(6,571)
Total revenues	<u>6,438,531</u>	<u>6,438,531</u>	<u>6,505,733</u>	<u>67,202</u>
<b>Expenditures</b>				
Town commission	11,187	25,418	23,681	1,737
Town manager	146,552	146,552	142,190	4,362
Town clerk/finance	354,057	354,057	343,478	10,579
Legal	140,000	160,500	158,651	1,849
Appointed boards	4,865	4,865	1,419	3,446
Other general government	1,049,431	1,086,931	1,037,620	49,311
Law enforcement	3,721,359	3,507,928	3,310,964	196,964
Protective inspections	137,739	143,439	133,472	9,967
Solid waste	255,000	255,000	249,853	5,147
Other physical environment	308,500	409,000	408,307	693
Public works	264,647	264,647	252,667	11,980
Contingency	114,477	149,477	134,710	14,767
Total expenditures	<u>6,507,814</u>	<u>6,507,814</u>	<u>6,197,012</u>	<u>310,802</u>
Excess (deficiency) of revenues over (under) expenditures	(69,283)	(69,283)	308,721	378,004
<b>Other financing sources (uses)</b>				
Insurance proceeds			25,683	25,683
Transfers out	(188,675)	(188,675)	(188,675)	
Total other financing sources (uses)	<u>(188,675)</u>	<u>(188,675)</u>	<u>(162,992)</u>	<u>25,683</u>
Net change in fund balances	<u>\$ (257,958)</u>	<u>\$ (257,958)</u>	145,729	<u>\$ 403,687</u>
Fund balance, beginning of year			<u>4,695,407</u>	
Fund balance, end of year			<u>\$ 4,841,136</u>	

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Budgetary**  
**Required Supplementary Information (RSI)**  
**General Fund**  
**September 30, 2018**

**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 27. 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, 2018, no departments had an excess of expenditures over appropriations.

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Required Supplementary Information (RSI)**  
**Schedule of Changes in Total OPEB Liability**  
**For the Fiscal Year Year Ended September 30, 2018**

	<u>2018</u>
Total OPEB liability - beginning, as restated	\$ 106,303
Changes for the year:	
Service cost	11,521
Interest	4,220
Changes of assumptions	(5,630)
Benefit payments	<u>(3,743)</u>
Net change in total OPEB liability	<u>6,368</u>
Total OPEB liability - ending	<u><u>\$ 112,671</u></u>

Change in Assumptions

The discount rate was changed from 3.64% as of September 30, 2017 to 4.18% as of September 30, 2018.

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.

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required FRS contribution	\$ 156,275	\$ 171,110	\$ 196,937	\$ 196,279	\$ 205,927
FRS contributions in relation to the contractually required contribution	<u>156,275</u>	<u>171,110</u>	<u>196,937</u>	<u>196,279</u>	<u>205,927</u>
FRS contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered payroll	\$ 1,221,158	\$ 1,359,472	\$ 1,581,927	\$ 1,469,652	\$ 1,428,799
FRS contributions as a percentage of covered payroll	12.80%	12.59%	12.45%	13.36%	14.41%

This schedule is intended to present data for 10 years. For years prior to 2014 data are unavailable. Additional years will be presented as they become available.

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Required Supplementary Information (RSI)**  
**Schedule of Proportionate Share of Net Pension Liability**  
**Florida Retirement System**  
**Pension Plan**  
**Last Ten Fiscal Years**

	2014	2015	2016	2017	2018
Proportion of the FRS net pension liability	0.007134472%	0.007018222%	0.008331117%	0.007999939%	0.008260829%
Proportionate share of the FRS net pension liability	\$ 435,308	\$ 906,497	\$ 2,103,614	\$ 2,366,328	\$ 2,488,205
Town's covered payroll	\$ 1,196,497	\$ 1,307,878	\$ 1,516,677	\$ 1,470,021	\$ 1,426,675
Town's proportionate share of the FRS net pension liability as a percentage of covered payroll	36.38%	69.31%	138.70%	160.97%	174.41%
FRS Plan fiduciary net position as a percentage of the total pension liability	96.09%	92.00%	84.88%	83.89%	84.26%

This schedule is intended to present data for 10 years. For years prior to 2014 data are unavailable. Additional years will be presented as they become available. 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 Comprehensive Annual Financial Report. The discount rate decreased from 7.65% in 2015 to 7.60% in 2016 to 7.10% in 2017 to 7.00% in 2018.



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

	2014	2015	2016	2017	2018
Contractually required HIS contribution	\$ 15,829	\$ 19,816	\$ 27,780	\$ 26,867	\$ 27,708
HIS contributions in relation to the contractually required contribution	<u>15,829</u>	<u>19,816</u>	<u>27,780</u>	<u>26,867</u>	<u>27,708</u>
HIS contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered payroll	\$ 1,508,066	\$ 1,564,087	\$ 1,786,534	\$ 1,726,149	\$ 1,772,868
HIS contributions as a percentage of covered-employee payroll	1.05%	1.27%	1.55%	1.56%	1.56%

This schedule is intended to present data for 10 years. For years prior to 2014 data are unavailable. Additional years will be presented as they become available.

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Required Supplementary Information (RSI)**  
**Schedule of Proportionate Share of Net Pension Liability**  
**Florida Retirement System**  
**Retiree Health Insurance Subsidy Program**  
**Last Ten Fiscal Years**

	2014	2015	2016	2017	2018
Proportion of the HIS net pension liability	0.004620836%	0.004726211%	0.005174263%	0.004935255%	0.005112213%
Proportionate share of the HIS net pension liability	\$ 692,890	\$ 481,999	\$ 603,039	\$ 527,700	\$ 541,082
Town's covered payroll	\$ 1,476,131	\$ 1,539,701	\$ 1,704,977	\$ 1,676,168	\$ 1,777,367
Town's proportionate share of the HIS net pension liability as a percentage of it covered payroll	46.94%	31.30%	35.37%	31.48%	30.44%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.99%	0.50%	0.97%	1.64%	2.15%

This schedule is intended to present data for 10 years. For years prior to 2014 data are unavailable. Additional years will be presented as they become available. 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 Comprehensive Annual Financial Report. The discount rate decreased from 4.29% in 2014 to 3.80% in 2015 to 2.85% in 2016 increased to 3.58% in 2017 and increased to 3.87% in 2018.



## NOWLEN, HOLT & MINER, P.A.

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### INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Town of Ocean Ridge, Florida, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Ocean Ridge's basic financial statements and have issued our report thereon dated May 24, 2019.

#### **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) to determine the 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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Nowlen, Holt & Mimer, P.A.*

West Palm Beach, Florida  
May 24, 2019



## 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, 2018, and have issued our report thereon dated May 24, 2019.

#### 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 May 24, 2019, should be considered in conjunction with this Management Letter.

## **Prior Audit Findings**

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

## **Official Title and Legal Authority**

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this Management Letter, unless disclosed in the notes to the financial statements. This information was disclosed in Note 1 to the financial statements. There were 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 has 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.

## **Special District Component Units**

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

## **Additional Matters**

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

## **Single Audits**

The Town of Ocean Ridge, Florida expended less than \$750,000 of federal awards and less than \$750,000 of state financial assistance for the fiscal year ended September 30, 2018, 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 City Council, 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  
May 24, 2019



## NOWLEN, HOLT & MINER, P.A.

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

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

We have examined the Town of Ocean Ridge, Florida's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2018. 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 judgement, including an assessment of the risk 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.

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, 2018.

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  
May 24, 2019