



TOWN OF OCEAN RIDGE, FLORIDA

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT THEREON

FISCAL YEAR ENDED SEPTEMBER 30, 2019



TOWN OF OCEAN RIDGE, FLORIDA
SEPTEMBER 30, 2019

TABLE OF CONTENTS

	<u>Pages</u>
Independent Auditor's Report	1 - 3
Management's Discussion and Analysis (required supplementary information)	4 - 9
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements	
Balance Sheet – Governmental Funds	12
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	15
Notes to the Financial Statements	16 - 56
Required Supplemental Information Other Than MD&A	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	57
Notes to the Budgetary Required Supplementary Information - General Fund	58
Schedule of Changes in Total OPEB Liability	59
Schedule of Employer Contributions – Florida Retirement System Pension Plan	60
Schedule of Proportionate Share of Net Pension Liability – Florida Retirement System Pension Plan	61
Schedule of Employer Contributions – Florida Retirement System Retiree Health Insurance Subsidy Program	62
Schedule of Proportionate Share of Net Pension Liability – Florida Retirement System Retiree Health Insurance Subsidy Program	63
Other Reports	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	64 - 65

TOWN OF OCEAN RIDGE, FLORIDA
SEPTEMBER 30, 2019

TABLE OF CONTENTS

	<u>Pages</u>
Management Letter in Accordance With the Rules of the Auditor General of the State of Florida	66 - 68
Independent Accountant's Report on Compliance with Section 218.415, Florida Statutes	69

INDEPENDENT AUDITOR'S REPORT

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

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, 2019, 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, 2019, 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.

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 March 9, 2020, 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, Holt & Mimer, P.A.

West Palm Beach, Florida
March 9, 2020

TOWN OF OCEAN RIDGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019

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, 2019. 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 \$13,979,126 (net position) compared to last year when assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$13,883,187. The net position at the end of 2019 included \$2,466,813 in unrestricted net position.
- § The government activities revenues were \$7,418,222 at the close of fiscal year 2019.
- § The Town's total expenses were \$7,322,283 during the fiscal year 2019.
- § Total fund expenditures were \$6,695,289 during fiscal year 2019. Total expenditures for the current year compared to prior year expenditures of \$6,371,450 increased by 5% or \$323,839.
- § At the end of the 2019 fiscal year, the unassigned fund balance for the General Fund was \$3,930,997 or 59% 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, which is the difference between the Town's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, is one way to measure the Town's financial health or financial position. Over time, increases or decreases in the Town's net position are indicators of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's infrastructure 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 2019 is \$13,979,126. This is a \$95,939 increase over last year's net position of \$13,883,187.

Summary of Net Position Total Primary Government

	2018	2019
Current Assets	\$ 5,197,783	\$ 5,841,062
Capital Assets	16,359,161	15,715,463
Total Assets	21,556,944	21,556,525
Deferred Outflows of Resources	1,519,556	1,652,200
Current Liabilities	153,749	103,334
Non-current liabilities	8,683,195	8,849,754
Total Liabilities	8,836,944	8,953,088
Deferred Inflows of Resources	356,369	276,511
Net Investment in Capital Assets	11,100,223	11,057,927
Restricted for Debt Service	69,229	70,378
Restricted for Infrastructure	208,937	342,017
Restricted for Transportation		9,333
Restricted for Town Hall Beautification		32,658
Unrestricted	2,504,798	2,466,813
Total Net Position	\$ 13,883,187	\$ 13,979,126

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

	2018	2019
<u>Revenues:</u>		
Program Revenues:		
Charges for Services	\$ 718,455	\$ 1,068,448
Operating grants and contributions	114,033	16,309
Capital grants and contributions		31,974
General Revenues:		
Property Taxes	4,754,905	5,152,556
Other Taxes	778,749	812,347
Intergovernmental	215,789	205,362
Investment earnings	29,289	70,996
Net increase (decrease) in fair value of investments	(4,668)	3,496
Miscellaneous	26,448	56,734
Total Revenues	6,633,000	7,418,222
<u>Expenses:</u>		
General Government	1,236,844	1,373,993
Public Safety	3,715,563	4,422,682
Public Services	661,810	619,761
Public Works	658,160	730,858
Interest on long term debt	194,846	174,989
Total Expenses	6,467,223	7,322,283
 Increase in net position	 165,777	 95,939
Net Position, beginning	13,717,410	13,883,187
Net Position, ending	<u>\$ 13,883,187</u>	<u>\$ 13,979,126</u>

The Town implemented the following Governmental Accounting Standard Boards (“GASB”) Statements during the fiscal year ended September 30, 2019:

- 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. Implementation of the Statement did not impact the Town’s financial statements.
- 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.

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

General Fund Budgetary Highlights

Actual expenditures during 2019 were \$303,765 less than budgeted expenditures and actual revenues were \$394,324 more than budgeted amounts, which led to a \$698,089 excess of revenues over expenditures. A \$171,218 transfer was made to the Capital Projects Fund and a \$32,658 transfer was made from the Capital Projects Fund. The overall increase in the fund balance was \$634,216.

Capital Asset and Debt Administration

Capital Assets

At the end of the fiscal year 2019, the Town had \$15,715,463 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

	2018	2019
Land	\$ 801,675	\$ 801,675
Buildings	5,337,437	5,337,437
Equipment	1,263,971	1,331,818
Infrastructure	18,533,108	18,533,108
	25,936,191	26,004,038
Less Accumulated Depreciation	9,577,030	10,288,575
TOTALS	\$ 16,359,161	\$ 15,715,463

Debt and Long-Term Liabilities

As of September 30, 2019, the Town had long-term liabilities of \$2,567,084 owed to the Florida Department of Environmental Protection as part of the State Revolving Loan, a federal program with state match, \$2,090,452 owed to Bank of America for a promissory note, \$162,994 in compensated absences, \$131,394 in other postemployment benefits, and a net pension liability of \$3,662,035.

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>2018</u>	<u>2019</u>
State Revolving Fund Loan	\$ 2,954,663	\$ 2,567,084
Bank of America Promissory Note	2,304,275	2,090,452
Net Pension Liability	3,029,287	3,665,035
OPEB	112,671	131,394
Compensated Absences	<u>105,425</u>	<u>162,994</u>
	<u>\$ 8,506,321</u>	<u>\$ 8,616,959</u>

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 increased from 5.250 to 5.350, a 5.88% increase over the rolled back rate. In the currently adopted FY20 budget, the millage rate remained at 5.350, a 5.099% increase over the rolled back rate, and there was a 12.66% increase in revenue and expenditures over the prior year. The total amount of Ad Valorem revenues in FY20 is an increase of \$331,645 over the prior fiscal year budget.
- The Town Commission authorized a pilot program for iguana control in FY19 at the cost of \$12,000, and voted to continue the successful program in the FY20 budget, at the cost of \$19,200.
- In FY19, the Town experienced turnover in the Town Manager's position. The Town Commission voted to promote the Town Clerk/Treasurer to the Town Manager/Finance Director position, promoted the Deputy Town Clerk to the Town Clerk's position, and promoted the Deputy Treasurer to the Treasurer's position.
- The Town received \$7,006,817 in State Revolving Fund Loan monies for the various stormwater drainage improvements in 2002 through 2006. The term of the loan is for 20-years with semi-annual payments. The yearly payment amount is \$467,944 made in two (2) payments.
- The FY20 budget shows a re-formulation in the departmental distribution of workers' compensation and general liability insurance expenses.
- A three year contract with the Police Union became effective on October 1, 2018. The FY20 budget includes salaries and benefits approved in the contract. The contract runs until September 30, 2021.
- The proposed annualized cycle for a road repaving program was deferred for FY20, as the Capital Budget includes \$307,500 earmarked for drainage infrastructure and storm drain enhanced maintenance; \$100,000 for fire hydrant maintenance to repair and replace fire hydrants that are in a critical state of disrepair; \$33,700 for Public Works tools and equipment; \$24,150 for facility

maintenance; \$7,000 to replace a failing all-terrain vehicle for beach patrol and public works functions; \$6,000 for street sign replacements; and \$15,000 for beach crossover repairs.

- The Town Commission also approved \$20,000 in the FY20 budget for a new Body Worn Camera system for the Police Department to enhance public safety services for the residents.
- The Town entered into a multi-jurisdictional inter-local agreement to hire a firm to conduct a Vulnerability Assessment for the Town in the amount of \$23,000 in the FY20 budget.
- Boynton Beach Fire Department provides Fire Services and Emergency Medical Services (EMS) to the Town. The cost for the 2019 fiscal year was \$1,145,258, and the cost for 2020 is \$1,191,070. 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 which was a very “bare-bones” budget amount, only budgeting for the salary and benefits of a Building Official, insurance, training, and a cell phone. The FY20 budget for the Building Department was created with a more realistic approach to the costs of running the Building Department, at the annual cost of \$434,004 which includes salary and benefits for a Building Official and Building Clerk, insurance, education & training, Inspection & Engineering Services (Engineering Services to Review Drainage on Building Plans was shifted from the Other Physical Environment Department to the Building Department), Town Planner & Zoning Review, software licensing & maintenance, Scanning of Building Permits, postage, office supplies, machinery & equipment, a vehicle for the Building Official including fuel and vehicle maintenance, a cell phone, and legal advertising costs. The Building Department costs are pass-through costs paid for by building permit revenues.
- The Town of Ocean Ridge entered into a three (3) year contract to provide Police Services to the neighboring Town of Briny Breezes beginning October 1, 2019 and ending September 30, 2022. The Town of Ocean Ridge will collect revenue of \$180,000 for this service in the first year (FY20), with a provision to increase the revenue by 3% in years two (2) and three (3) of the contract.
- The Town’s Solid Waste & Recycling contract with Republic Services ended in FY19. The Town published a Request for Proposals (RFP) and based on the bids received, awarded a five (5) year contract beginning October 1, 2019 to Waste Pro in the amount of \$274,000 which is an increase of \$10,000, or 3.79% for FY20.
- The Town Commission voted to decrease the contingency line item from \$100,000 in FY19 to \$50,000 in FY20.
- The Town conducted a salary survey in 2019 in preparation for the FY20 budget, and the Town Commission adjusted salaries for several employees based on the results of the survey in 2019 and 2020, and also adopted a salary range chart for FY19/20.

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, 2019

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 324,422
Investments	5,159,767
Accounts receivable (net)	243,109
Prepays	3,115
Restricted cash and cash equivalents	110,649
Capital assets	
Non-depreciable	801,675
Depreciable (net of depreciation)	14,913,788
Total assets	<u>21,556,525</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	1,419,405
Accumulated decrease in fair value - interest rate swap	232,795
Total deferred outflows of resources	<u>1,652,200</u>
LIABILITIES	
Current liabilities	
Accounts payable	31,206
Accrued payroll	49,231
Accrued interest payable	15,284
Accrued interest payable from restricted assets	7,613
Non-current liabilities	
Interest rate swap	232,795
Due within one year	711,131
Due in more than one year	7,905,828
Total liabilities	<u>8,953,088</u>
DEFERRED INFOWS OF RESOURCES	
Pension related items	276,511
Total deferred inflows of resources	<u>276,511</u>
NET POSITION	
Net investment in capital assets	11,057,927
Restricted for debt service	70,378
Restricted for infrastructure	342,017
Restricted for transportation	9,333
Restricted for Town Hall beautification	32,658
Unrestricted	2,466,813
Total net position	<u>\$ 13,979,126</u>

See notes to the financial statements

TOWN OF OCEAN RIDGE, FLORIDA
Statement of Activities
For the Fiscal Year Ended September 30, 2019

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	\$ 1,373,993	\$ 699,403	\$ 577	\$ 22	\$ (673,991)
Public safety	4,422,682	66,001	3,852	31,952	(4,320,877)
Public works	619,761		11,880		(607,881)
Physical environment	730,858	303,044			(427,814)
Interest on long term debt	174,989				(174,989)
Total governmental activities	7,322,283	1,068,448	16,309	31,974	(6,205,552)
General revenues					
Property taxes					5,152,556
Infrastructure surtax					133,080
Utility service taxes					446,550
Franchise taxes					174,952
Gasoline taxes					57,765
State shared revenues - unrestricted					198,362
Local shared revenues - unrestricted					7,000
Interest income					70,996
Net increase in fair value of investments					3,496
Miscellaneous					56,734
Total general revenues					6,301,491
Change in net position					95,939
Net position, beginning of year					13,883,187
Net position, end of year					\$ 13,979,126

See notes to the financial statements

TOWN OF OCEAN RIDGE, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2019

	General	Capital Projects	Total
ASSETS			
Cash and cash equivalents	\$ 144,501	\$ 179,921	\$ 324,422
Investments	5,159,767		5,159,767
Receivables (net)	243,109		243,109
Prepaid items	3,115		3,115
Restricted cash and cash equivalents	110,649		110,649
Total assets	<u>\$ 5,661,141</u>	<u>\$ 179,921</u>	<u>\$ 5,841,062</u>
LIABILITIES			
Accounts payable	\$ 31,206	\$	\$ 31,206
Accrued payroll	49,231		49,231
Total liabilities	<u>80,437</u>		<u>80,437</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue			
Unavailable revenue	105,352		105,352
Total deferred inflows of resources	<u>105,352</u>		<u>105,352</u>
FUND BALANCES			
Non-Spendable:			
Prepays	3,115		3,115
Restricted for:			
Debt service	77,991		77,991
Infrastructure	342,017		342,017
Town Hall beautification	32,658		32,658
Transportation	9,333		9,333
Assigned to:			
Self insurance	160,000		160,000
Drainage	370,000		370,000
Beautification	115,000		115,000
Subsequent year budget	434,241		434,241
Capital projects		179,921	179,921
Unassigned	3,930,997		3,930,997
Total fund balances	<u>5,475,352</u>	<u>179,921</u>	<u>5,655,273</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,661,141</u>	<u>\$ 179,921</u>	<u>\$ 5,841,062</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, 2019

Fund balances total governmental funds	\$ 5,655,273
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Amounts reported for governmental activities in the statement of net position are different because:

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

Governmental capital assets	\$ 26,004,038	
Less accumulated depreciation	<u>(10,288,575)</u>	15,715,463

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

Unavailable revenue	105,352
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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	(162,994)	
Loans payable	(4,657,536)	
Net pension liability	(3,665,035)	
Total other postemployment benefits liability	(131,394)	
Accrued interest on long-term debt	<u>(22,897)</u>	(8,639,856)

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	1,419,405	
Pension related deferred inflows	<u>(276,511)</u>	<u>1,142,894</u>

Net position of governmental activities	<u><u>\$ 13,979,126</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, 2019

	General	Capital Projects	Total
REVENUES			
Property taxes	\$ 5,152,556	\$	\$ 5,152,556
Utility service taxes	446,550		446,550
Gasoline taxes	57,765		57,765
1/2 Cent sales tax	147,435		147,435
Infrastructure surtax	133,080		133,080
Local business tax	2,368		2,368
Electric franchise fee	174,952		174,952
State shared revenues	48,053		48,053
Local shared revenues	7,000		7,000
Licenses and permits	669,585		669,585
Fines and forfeitures	10,149		10,149
Charges for services	386,346		386,346
Interest	70,967	51	71,018
Decrease in fair value	3,496		3,496
Contributions	577		577
Miscellaneous	14,754		14,754
Total revenues	<u>7,325,633</u>	<u>51</u>	<u>7,325,684</u>
EXPENDITURES			
Current			
General government	940,975		940,975
Public safety	3,776,778		3,776,778
Public works	258,299	393	258,692
Physical environment	730,858		730,858
Debt service			
Principal	601,402		601,402
Interest	177,702		177,702
Capital outlay	123,577	85,305	208,882
Total expenditures	<u>6,609,591</u>	<u>85,698</u>	<u>6,695,289</u>
Excess (deficiency) of revenues over expenditures	<u>716,042</u>	<u>(85,647)</u>	<u>630,395</u>
OTHER FINANCING SOURCES (USES)			
Insurance proceeds	56,734		56,734
Transfers in	32,658	171,218	203,876
Transfers out	(171,218)	(32,658)	(203,876)
Total other financing sources (uses)	<u>(81,826)</u>	<u>138,560</u>	<u>56,734</u>
Net change in fund balances	634,216	52,913	687,129
Fund balances, beginning of year	<u>4,841,136</u>	<u>127,008</u>	<u>4,968,144</u>
Fund balances, end of year	<u>\$ 5,475,352</u>	<u>\$ 179,921</u>	<u>\$ 5,655,273</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, 2019

Net change in fund balances - total governmental funds \$ 687,129

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	\$ 86,155	
Less: current year depreciation	<u>(761,805)</u>	(675,650)

Capital assets donated to the Town		31,952
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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		601,402
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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		3,852
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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	2,713	
Increase in compensated absences payable	(57,569)	
Increase in other postemployment benefits	(18,723)	
Change in net pension liability and related deferred amounts	<u>(479,167)</u>	<u>(552,746)</u>

Change in net position		<u>\$ 95,939</u>
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See notes to the financial statements

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2019

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, 2019

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, 2019

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

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

Cash and Cash Equivalents

Cash and cash equivalents include amounts on deposit in demand accounts. 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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019 was 5.3500 (\$5.3500 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, 2019

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, 2019.

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. Implementation of the Statement did not impact the Town's financial statements.

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.

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 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 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.

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

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.

In May 2019 the GASB issued Statement No. 91, *Conduit Debt Obligation*. This Statement will provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. This Statement is effective for the fiscal year ending September 30, 2022.

In January 2020 the GASB issued Statement No. 92, *Omnibus 2020*. This Statement will enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing practice issues that have been identified during the implementation and application of certain GASB Statements. This Statement addresses a variety of topics. The requirements of this Statement related to the effective date of Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The remaining requirements are effective for the fiscal year ending September 30, 2021.

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.

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 2 – BUDGETARY INFORMATION (Continued)

Basis of Budgeting (Continued)

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, 2019, the bank balance of the Town's deposits was \$5,695,564 and the carrying amount was \$5,594,688. The Town also had \$150 in petty cash for a total carrying amount of \$5,594,838. The Town's deposits include \$2,500,000 of certificates of deposit and \$2,659,767 in money market checking accounts that are reported as investments.

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.

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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.

Certificates of deposit are exempt from reporting under the fair value hierarchy, and their fair value is measured at cost. As of September 30, 2019, the Town held the following certificates of deposit:

<u>Description</u>	<u>Cost</u>	<u>Days to Maturity</u>
City National Bank CD	\$2,000,000	192
City National Bank CD	<u>500,000</u>	9
	<u><u>\$2,500,000</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.

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town 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, 2019, all the Town's investments were insured or collateralized.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 801,675	\$	\$	\$ 801,675
Total non-depreciable assets	<u>801,675</u>	<u></u>	<u></u>	<u>801,675</u>
Capital assets being depreciated				
Building	5,337,437			5,337,437
Infrastructure	18,533,108			18,533,108
Equipment	1,263,971	118,107	(50,260)	1,331,818
Total depreciable assets	<u>25,134,516</u>	<u>118,107</u>	<u>(50,260)</u>	<u>25,202,363</u>
Total capital assets	<u>25,936,191</u>	<u>118,107</u>	<u>(50,260)</u>	<u>26,004,038</u>
Less accumulated depreciation				
Buildings	(1,853,951)	(176,723)		(2,030,674)
Infrastructure	(6,913,642)	(460,996)		(7,374,638)
Equipment	(809,437)	(124,086)	50,260	(883,263)
Total accumulated depreciation	<u>(9,577,030)</u>	<u>(761,805)</u>	<u>50,260</u>	<u>(10,288,575)</u>
Depreciable assets, net	<u>15,557,486</u>	<u>(643,698)</u>	<u></u>	<u>14,913,788</u>
Capital assets, net	<u>\$ 16,359,161</u>	<u>\$ (643,698)</u>	<u>\$</u>	<u>\$ 15,715,463</u>

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 4 – CAPITAL ASSETS (Continued)

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

Governmental activities:

General government	\$ 403,461
Public safety	98,194
Public works	<u>260,150</u>
Total depreciation expense for governmental activities	<u>\$ 761,805</u>

NOTE 5 – RECEIVABLES

The Town's receivables as of September 30, 2019, are as follows:

	<u>General Fund</u>
Grants receivable	\$ 105,352
Taxes receivable	69,487
Due from other governments	33,871
Accounts receivable - billed	5,081
Interest receivable	<u>29,318</u>
Total receivables	243,109
Less allowance for uncollectible accounts	
Net receivables	<u><u>\$ 243,109</u></u>

NOTE 6 – LONG-TERM LIABILITIES

Clean Water State Revolving Fund Loan

The Town has entered into a Clean Water State Revolving Fund Loan Agreement with The State of Florida Department of Environmental Protection (the "Department"). The loan was initially obtained by the Town in 2002 in the amount of \$439,398 for planning and design for major drainage improvements. The loan was amended in 2004 to include an additional \$3,988,000 for construction, amended again in 2005 for additional construction funds of \$1,679,076 and amended again in 2006 for additional construction funds of \$900,343. The loan is payable from and secured by the Local Government Half-Cent Sales Tax revenue, Florida Power and Light Franchise Tax revenue,

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Clean Water State Revolving Fund Loan (Continued)

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 \$768,937. At September 30, 2019, principal and interest to maturity in 2025 to be paid from pledged future revenues totaled \$2,807,662. As of September 30, 2019, outstanding principal, including capitalized interest, was \$2,567,084. The loan bears interest of approximately 3%.

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

Estimated annual debt service requirements to maturity based on the outstanding balance on the loan as of September 30, 2019 are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 398,539	\$ 69,405	\$ 467,944
2021	409,825	58,119	467,944
2022	421,431	46,513	467,944
2023	433,365	34,579	467,944
2024	445,636	22,307	467,943
2025	458,288	9,655	467,943
	<u>\$ 2,567,084</u>	<u>\$ 240,578</u>	<u>\$ 2,807,662</u>

Bank of America Town Hall Promissory Note

On August 27, 2007, the Town issued its \$4,000,000 Bank of America Promissory Note for the purpose of constructing a new town hall. The Town covenants that, so long as the Note shall remain unpaid or any other amounts are owed by the Town under the Loan Agreement, Note, or the Hedge, it will appropriate in its annual budget, by amendment if required, from non-ad valorem revenues, amounts sufficient to pay principal and interest on the Note and other amounts owed under the Loan Agreement and the Hedge as they become due. Non-ad valorem revenues means all revenues of the Town not derived from ad valorem taxation and which are lawfully available to pay debt service on

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Bank of America Town Hall Promissory Note (Continued)

the Note, but only after provision has been made by the Town for the payment of services and programs which are for essential public purposes affecting the health, welfare, and safety of the inhabitants of the Town or which are legally mandated by applicable law.

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, 2019, the interest rate was 2.08396%.

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

Interest Rate Swap

Terms and Objectives: In an effort to lower its borrowing costs when compared against fixed rate loans at the time of issuance, the Town issued the \$4,000,000 variable rate Bank of America Promissory Note and entered into a corresponding pay fixed rate swap agreement. The objective of the swap is to change the Town's variable rate loan into a synthetic fixed rate instrument. Based on the swap agreement, the Town pays a fixed rate of 4.315% to the counterparty of the swap, based on the notational amount. In return, the counterparty pays interest based on an applicable rate that is equal to 63.7% of the 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 \$2,090,452 as of September 30, 2019.

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

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Interest Rate Swap (Continued)

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

Fair Value: As of September 30, 2019, the swap had a negative fair value of \$232,795 because interest rates have declined since the execution of the swap. The fair value decreased \$55,921 during the fiscal year ended September 30, 2019 from a negative fair value of \$176,874 at September 30, 2018. 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, 2019, the Town was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the Town would be exposed to credit risk in the amount of the derivative instrument's fair value. As of September 30, 2019, the long-term senior unsecured debt of Bank of America, N.A., the swap's counterparty, was rated AA- by Fitch Ratings, A+ by Standard & Poor's, and Aa2 by Moody's Investors Service.

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

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

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

Swap Payments and Associated Debt: The interest rate swap agreement does not affect the Town's obligation to repay the principal and variable rate interest on the Bank of America Promissory Note under the terms of the loan agreement. The following table presents debt service payments on the variable rate loan, net of associated swap payments. The calculations are based on the assumption that the rates as of September 30, 2019 remain constant over the life of the loan.

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Interest Rate Swap (Continued)

<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>
2020	\$ 223,092	\$ 42,538	\$ 45,541	311,171
2021	233,254	37,630	40,287	311,171
2022	243,627	32,621	34,923	311,171
2023	254,461	27,389	29,321	311,171
2024	265,656	21,982	23,533	311,171
2025-2027	870,362	30,500	32,652	933,514
Totals	<u>\$ 2,090,452</u>	<u>\$ 192,660</u>	<u>\$ 206,257</u>	<u>\$ 2,489,369</u>

Changes in long-term liabilities

During the year ended September 30, 2019, 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>
Direct borrowings:					
Revolving Fund Loan	\$ 2,954,663	\$	\$ (387,579)	\$ 2,567,084	\$ 398,539
Bank of America Loan	<u>2,304,275</u>	<u> </u>	<u>(213,823)</u>	<u>2,090,452</u>	<u>223,092</u>
Total direct borrowings	<u>5,258,938</u>	<u> </u>	<u>(601,402)</u>	<u>4,657,536</u>	<u>621 631</u>
Net pension liability	3,029,287	635,748		3,665,035	
OPEB	112,671	22,794	(4,071)	131,394	
Compensated absences	<u>105,425</u>	<u>147,028</u>	<u>(89,459)</u>	<u>162,994</u>	<u>89,500</u>
	<u>3,247,383</u>	<u>805,570</u>	<u>(93,530)</u>	<u>3,959,423</u>	<u>89,500</u>
	<u>\$ 8,506,321</u>	<u>\$ 805,570</u>	<u>\$ (694,932)</u>	<u>\$ 8,616,959</u>	<u>\$ 711,131</u>

Interest Expense

Total interest costs incurred and paid on all Town debt for the year ended September 30, 2019 was \$175,001 and \$177,702, respectively.

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2019

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.

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

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 7 – FLORIDA RETIREMENT SYSTEM (Continued)

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.

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.

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 7 – FLORIDA RETIREMENT SYSTEM (Continued)

Pension Plan (Continued)

Benefits Provided (Continued)

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

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

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

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 7 – FLORIDA RETIREMENT SYSTEM (Continued)

Pension Plan (Continued)

Contributions

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the fiscal year ended September 30, 2018 were as follows:

Class	10/01/18 through 06/30/19	07/01/19 through 09/30/19
Regular Class	8.26%	8.47%
Senior Management Service Class	24.06%	25.41%
Special Risk Class	24.50%	25.48%
Elected Official Class	48.70%	48.82%
DROP	14.03%	14.60%

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, 2019 the Town made contributions of \$256,408 to the Pension Plan and the Town's employees made contributions of \$46,352, for total contributions of \$302,760.

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2019

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, 2019, the Town reported a liability of \$3,033,786 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The Town's proportionate share of the net pension liability was based on the Town's 2018-19 plan year contributions relative to the 2018-19 plan year contributions of all participating members. At June 30, 2019, the Town's proportionate share was .008809258 percent, which was an increase of .000548429 percent from its proportionate share measured as of June 30, 2018.

For the fiscal year ended September 30, 2019, the Town recognized pension expense of \$756,341 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	\$ 179,943	\$ 1,883
Change of assumptions	779,208	
Net difference between projected and actual earnings on Pension Plan investments		167,845
Change in proportion and differences between Town Pension Plan contributions and proportionate share of contributions	194,557	39,686
Town Pension Plan contributions subsequent to the measurement date	92,547	
Total	<u>\$ 1,246,255</u>	<u>\$ 209,414</u>

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2019

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 \$92,547 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, 2020. 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
2020	\$ 320,144
2021	130,912
2022	236,739
2023	178,734
2024	60,765
Thereafter	17,000
	<u>\$ 944,294</u>

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	July 1, 2019
Measurement date	June 30, 2019
Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Investment rate of return	6.90%, net of pension plan investment expense, including inflation
Mortality	PUB2010 base table varies by member category and sex, projected generationally with Scale MP-2018
Actuarial cost method	Individual Entry Age

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 7 – FLORIDA RETIREMENT SYSTEM (Continued)

Pension Plan (Continued)

Actuarial Assumptions (Continued)

For the July 1, 2019 valuation date, the mortality assumptions changed from Generational RP-2000 with Projection Scale BB to PUB2010 base table.

The actuarial assumptions that determined the total pension liability as of June 30, 2019, were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

The long-term expected rate of return 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%	3.3%	3.3%	1.2%
Fixed Income	18.0%	4.1%	4.1%	3.5%
Global Equity	54.0%	8.0%	6.8%	16.5%
Real Estate	10.0%	6.7%	6.1%	11.7%
Private Equity	11.0%	11.2%	8.4%	25.8%
Strategic Investments	6.0%	5.9%	5.7%	6.7%
Total	<u>100.0%</u>			
Assumed Inflation - Mean			2.6%	1.7%

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

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 7 – FLORIDA RETIREMENT SYSTEM (Continued)

Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2019 was 6.90%, which decreased from the discount rate of 7.00% as of June 30, 2018. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

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

The following represents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.90%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.90%) or one percentage point higher (7.90%) than the current rate:

	1% Decrease 5.90%	Current Discount Rate 6.90%	1% Increase 7.90%
Town's proportionate share of the net pension liability	\$ 5,244,405	\$ 3,033,786	\$ 1,187,545

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, 2019, the Town reported no payable for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2019.

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2019

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, 2019, 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, 2019, 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 \$33,533 for the fiscal year ended September 30, 2019.

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2019

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, 2019, the Town reported a liability of \$631,249 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2019, 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 2018-19 plan year contributions relative to the 2018-19 plan year contributions of all participating members. At June 30, 2019, the Town's proportionate share was .005641696 percent, which was an increase of .000529483 percent from its proportionate share measured as of June 30, 2018.

For the fiscal year ended September 30, 2019, the Town recognized pension expense of \$61,593. 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	\$ 7,667	\$ 773
Change of assumptions	73,090	51,593
Net difference between projected and actual earnings on Pension Plan investments	407	
Change in proportion and differences between Town Pension Plan contributions and proportionate share of contributions	81,859	14,731
Town Pension Plan contributions subsequent to the measurement date	10,127	
Total	<u>\$ 173,150</u>	<u>\$ 67,097</u>

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 7 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy (HIS) Program (Continued)

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

The deferred outflows of resources related to the HIS Plan, totaling \$10,127 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, 2020. 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
2020	\$ 25,452
2021	23,670
2022	18,336
2023	4,114
2024	10,177
Thereafter	14,177
	<u>\$ 95,926</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, 2019
Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Municipal bond rate	3.50%
Investment rate of return	N/A
Mortality	Generational RP-2000 with Projection Scale BB
Actuarial cost method	Individual Entry Age

The actuarial assumptions that determined the total pension liability as of June 30, 2019, were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 7 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy (HIS) Program (Continued)

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2019 was 3.50%, which decreased from the discount rate of 3.87% as of June 30, 2018. 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 3.50%, 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 (2.50%) or one percentage point higher (4.50%) than the current rate:

	1% Decrease 2.50%	Discount Rate 3.50%	1% Increase 4.50%
Town's proportionate share of the net pension liability	\$ 720,603	\$ 631,249	\$ 556,827

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, 2019, the Town reported no payable for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2019.

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2019

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, 2019.

Description	Pension Plan	HIS Plan	Total
Proportionate share of total pension liability	\$ 17,443,418	\$ 648,289	\$ 18,091,707
Proportionate share of plan fiduciary net position	14,409,632	17,040	14,426,672
Proportionate share of net pension liability	3,033,786	631,249	3,665,035
Proportionate share of deferred outflows of resources	1,246,255	173,150	1,419,405
Proportionate share of deferred inflows of resources	209,414	67,097	276,511
Pension expense	756,341	61,593	817,934

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, 2019

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, 2019, are as follows:

Class	10/01/18 through 06/30/19	07/01/19 through 09/30/19
Regular Class	8.26%	8.47%
Senior Management Service Class	24.06%	25.41%
Special Risk Class	24.50%	25.48%
Elected Officials Class	48.70%	48.82%
DROP	14.03%	14.60%

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, 2019, 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, 2019

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 \$78,848 for the fiscal year ended September 30, 2019.

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, 2019

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, 2019, the Town paid \$1,145,255 pursuant to the agreement.

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

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

Interlocal Law Enforcement Services Agreement with the Town of Briny Breezes

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

For the year ending September 30, 2020, the compensation pursuant to the agreement will be \$180,000. Annually on October 1st, the compensation paid by Briny Breezes on this agreement shall increase by 3% per year to accommodate growth in Police Department personnel, equipment investment, and level of service assigned. Compensation shall be paid in twelve equal installments on the first day of each month throughout the term of the agreement

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 10 – RISK MANAGEMENT

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

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

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. In September 2019, the Town renewed the agreement for an additional one year term ending August 1, 2020. 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, 2019, the Town incurred costs of \$38,933 for inspection services pursuant to the agreement.

Solid Waste and Recycling Collection Services

Effective October 1, 2009, the Town entered into an agreement with Republic Services of Florida, Limited Partnership (Republic) for solid waste and recycling collection services. The agreement is for a five year term ending September 30, 2014, with an option to renew for an additional five years. In June 2014, the Town exercised the option to renew the agreement for an additional five year term ending September 30, 2019. In September 2019, the Town renewed the agreement for an additional five year term ending September 30, 2024. On November 4, 2019, the parties entered into an amendment to the agreement to allow Republic to transfer its assets in Palm Beach County to Waste Pro of Florida, Inc. (Waste Pro), and the agreement was assigned to Waste Pro effective November 15, 2019. Under the terms of the agreement, the Town pays an established rate per month per unit picked up curbside or containerized. Republic bills the Town monthly for services provided. For the year ended September 30, 2019, the Town made payments of \$257,109 pursuant to the agreement.

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 11 – COMMITMENTS

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.

Construction Commitments

<u>Project</u>	<u>Authorized Amount</u>	<u>Amount Completed at 09/30/19</u>	<u>Balance to Complete at 09/30/19</u>
Spanish River Drainage Project	<u>\$ 79,419</u>	<u>\$</u>	<u>\$ 79,419</u>

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

Contributions

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

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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, 2019, the rate was 3.58% based on the high-quality municipal bond rate based on the week closest to but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corporation's AA rating.

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

At September 30, 2019, the Town reported a total OPEB liability of \$131,394. For the fiscal year ended September 30, 2019, the Town recognized OPEB expense of \$24,294. As of September 30, 2019, the Town did not report any deferred outflows of resources or deferred in flows of resources related to OPEB.

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Total OPEB Liability

The components of the total OPEB liability as of September 30, 2019 were as follows:

Description	Total OPEB Liability
Balance September 30, 2018	\$ 112,671
Changes for the year:	
Service cost	11,024
Interest	5,087
Changes of assumptions	6,683
Benefit payments	(4,071)
Net change	<u>18,723</u>
Balance September 30, 2019	<u><u>\$ 131,394</u></u>
Covered-employee payroll	\$2,104,022
Total OPEB liability as a percentage of covered-employee payroll	6.24%

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 3.58% 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 2.58%	Discount Rate 3.58%	1% Increase 4.58%
Total OPEB Liability	\$ 143,757	\$ 131,394	\$ 120,524

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2019

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.

	1% Decrease <u>3.00% - 7.50%</u>	Healthcare Cost Trend Rate <u>4.00% - 8.50%</u>	1% Increase <u>5.00% - 9.50%</u>
Total OPEB Liability	\$ 116,929	\$ 131,394	\$ 148,332

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, 2019
Actuarial cost method	Entry Age Cost Method
Inflation	2.50%
Discount rate	3.58%
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

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2019

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in Assumptions

The discount rate was changed from 4.18% as of the beginning of the measurement period to 3.58% as of September 30, 2019. This change is reflected in the schedule of changes in total OPEB liability. There were no benefit changes during the year.

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, 2019, the Town made payments of \$2,312 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>
2020	<u>\$ 579</u>

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, 2019, the Town made payments of \$2,605 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>
2020	<u>\$ 2,170</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, 2019

	Original Adopted Budget	Final Revised Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 5,245,427	\$ 5,245,427	\$ 5,152,556	\$ (92,871)
Utility service taxes	385,000	385,000	446,550	61,550
Gasoline taxes	51,500	51,500	57,765	6,265
1/2 Cent sales tax	145,000	145,000	147,435	2,435
Infrastructure surtax	108,000	108,000	133,080	25,080
Local business tax			2,368	2,368
Electric franchise fee	166,000	166,000	174,952	8,952
State shared revenues	44,000	44,000	48,053	4,053
Local shared revenues	32,000	32,000	7,000	(25,000)
Licenses and permits	303,750	303,750	669,585	365,835
Fines and forfeitures	18,444	18,444	10,149	(8,295)
Charges for services	367,500	367,500	386,346	18,846
Interest	47,038	47,038	70,967	23,929
Decrease in fair value of investments			3,496	3,496
Grants				-
Contributions	1,400	1,400	577	(823)
Miscellaneous revenues	16,250	16,250	14,754	(1,496)
Total revenues	<u>6,931,309</u>	<u>6,931,309</u>	<u>7,325,633</u>	<u>394,324</u>
Expenditures				
Town commission	26,738	27,336	26,669	667
Town manager	153,622	164,320	152,977	11,343
Town clerk/finance	372,767	365,630	340,980	24,650
Legal	140,000	156,967	151,589	5,378
Appointed boards	4,865	4,865	1,224	3,641
Other general government	1,045,806	1,015,839	983,210	32,629
Law enforcement	4,004,829	3,874,031	3,746,430	127,601
Protective inspections	134,622	162,136	153,925	8,211
Solid waste	264,000	264,000	257,109	6,891
Other physical environment	394,720	474,708	473,749	959
Public works	271,387	278,524	258,299	20,225
Contingency	100,000	125,000	63,430	61,570
Total expenditures	<u>6,913,356</u>	<u>6,913,356</u>	<u>6,609,591</u>	<u>303,765</u>
Excess (deficiency) of revenues over (under) expenditures	17,953	17,953	716,042	698,089
Other financing sources (uses)				
Insurance proceeds			56,734	56,734
Transfers in			32,658	32,658
Transfers out	(171,218)	(171,218)	(171,218)	
Total other financing sources (uses)	<u>(171,218)</u>	<u>(171,218)</u>	<u>(81,826)</u>	<u>89,392</u>
Net change in fund balances	<u>\$ (153,265)</u>	<u>\$ (153,265)</u>	634,216	<u>\$ 787,481</u>
Fund balance, beginning of year			4,841,136	
Fund balance, end of year			<u>\$ 5,475,352</u>	

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Budgetary
Required Supplementary Information (RSI)
General Fund
September 30, 2019

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 26. 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, 2019, no departments had an excess of expenditures over appropriations.

TOWN OF OCEAN RIDGE, FLORIDA
Required Supplementary Information (RSI)
Schedule of Changes in Total Other Postemployment Benefits (OPEB) Liability
For the Fiscal Year Year Ended September 30, 2019

	2018	2019
Total OPEB liability - beginning	\$ 106,303	\$ 112,671
Changes for the year:		
Service cost	11,521	11,024
Interest	4,220	5,087
Changes of assumptions	(5,630)	6,683
Benefit payments	(3,743)	(4,071)
Net change in total OPEB liability	<u>6,368</u>	<u>18,723</u>
Total OPEB liability - ending	<u><u>\$ 112,671</u></u>	<u><u>\$ 131,394</u></u>
Covered-employee payroll	\$ 1,789,573	\$ 2,104,022
Total OPEB liability as a percentage of covered-employee payroll	6.30%	6.24%

Changes in Assumptions

The discount rate changed as follows:

September 30, 2017 measurement date	3.64%
September 30, 2018 measurement date	4.18%
September 30, 2019 measurement date	3.58%

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

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required FRS contribution	\$ 156,275	\$ 171,110	\$ 196,937
FRS contributions in relation to the contractually required contribution	<u>156,275</u>	<u>171,110</u>	<u>196,937</u>
FRS contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered payroll	\$ 1,221,158	\$ 1,359,472	\$ 1,581,927
FRS contributions as a percentage of covered payroll	12.80%	12.59%	12.45%
	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required FRS contribution	\$ 196,279	\$ 205,927	\$ 256,408
FRS contributions in relation to the contractually required contribution	<u>196,279</u>	<u>205,927</u>	<u>256,408</u>
FRS contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered payroll	\$ 1,469,652	\$ 1,428,799	\$ 1,686,221
FRS contributions as a percentage of covered payroll	13.36%	14.41%	15.21%

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
Proportion of the FRS net pension liability	0.007134472%	0.007018222%	0.008331117%
Proportionate share of the FRS net pension liability	\$ 435,308	\$ 906,497	\$ 2,103,614
Town's covered payroll	\$ 1,196,497	\$ 1,307,878	\$ 1,516,677
Town's proportionate share of the FRS net pension liability as a percentage of covered payroll	36.38%	69.31%	138.70%
FRS Plan fiduciary net position as a percentage of the total pension liability	96.09%	92.00%	84.88%
	2017	2018	2019
Proportion of the FRS net pension liability	0.007999939%	0.008260829%	0.008809258%
Proportionate share of the FRS net pension liability	\$ 2,366,328	\$ 2,488,205	\$ 3,033,786
Town's covered payroll	\$ 1,470,021	\$ 1,426,675	\$ 1,593,397
Town's proportionate share of the FRS net pension liability as a percentage of covered payroll	160.97%	174.41%	190.40%
FRS Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.26%	52.61%

Changes in Assumptions

The discount rate changed as follows:

2014	7.65%
2015	7.65%
2016	7.60%
2017	7.10%
2018	7.00%
2019	6.90%

For 2019, the mortality assumption changed from Generational RP-2000 with Projection Scale BB to PUB2010 base table projected generationally with Scale MP-2018.

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

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required HIS contribution	\$ 15,829	\$ 19,816	\$ 27,780
HIS contributions in relation to the contractually required contribution	<u>15,829</u>	<u>19,816</u>	<u>27,780</u>
HIS contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered payroll	\$ 1,508,066	\$ 1,564,087	\$ 1,786,534
HIS contributions as a percentage of covered payroll	1.05%	1.27%	1.55%
	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required HIS contribution	\$ 26,867	\$ 27,708	\$ 33,533
HIS contributions in relation to the contractually required contribution	<u>26,867</u>	<u>27,708</u>	<u>33,533</u>
HIS contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered payroll	\$ 1,726,149	\$ 1,772,868	\$ 2,080,649
HIS contributions as a percentage of covered payroll	1.56%	1.56%	1.61%

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
Proportion of the HIS net pension liability	0.004620836%	0.004726211%	0.005174263%
Proportionate share of the HIS net pension liability	\$ 692,890	\$ 481,999	\$ 603,039
Town's covered payroll	\$ 1,476,131	\$ 1,539,701	\$ 1,704,977
Town's proportionate share of the HIS net pension liability as a percentage of it covered payroll	46.94%	31.30%	35.37%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.99%	0.50%	0.97%
	2017	2018	2019
Proportion of the HIS net pension liability	0.004935255%	0.005112213%	0.005641696%
Proportionate share of the HIS net pension liability	\$ 527,700	\$ 541,082	\$ 631,249
Town's covered payroll	\$ 1,676,168	\$ 1,777,367	\$ 1,976,174
Town's proportionate share of the HIS net pension liability as a percentage of it covered payroll	31.48%	30.44%	31.94%
HIS Plan fiduciary net position as a percentage of the total pension liability	1.64%	2.15%	2.63%

Changes in Assumptions

The discount rate changed as follows:

2014	4.29%
2015	3.80%
2016	2.85%
2017	3.58%
2018	3.87%
2019	3.50%

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.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Town of Ocean Ridge, Florida, as of and for the year ended September 30, 2019, 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 March 9, 2020.

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, Het & Mimer, P.A.

West Palm Beach, Florida
March 9, 2020



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, 2019, and have issued our report thereon dated March 9, 2020.

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 March 9, 2020, should be considered in conjunction with this Management Letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this Management Letter, unless disclosed in the notes to the financial statements. This information was disclosed in Note 1 to the financial statements. There are no component units included in the Town of Ocean Ridge, Florida's financial statements.

Financial Condition and Management

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

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Town of Ocean Ridge, Florida. It is management's responsibility to monitor the Town of Ocean Ridge, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same. Our assessment was done as of the fiscal year end. The results of our procedures did not disclose any matters that are required to be reported.

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

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, 2019, 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
March 9, 2020



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, 2019. 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, 2019.

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
March 9, 2020