



Town of Orchid, Florida
FINANCIAL STATEMENTS
Year Ended September 30, 2025





INTRODUCTORY SECTION

Title Page	1
Table of Contents	2
Town Officials	3

FINANCIAL SECTION

Independent Auditor’s Report	5
Management’s Discussion and Analysis	9

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements:	
Statement of Net Position	19
Statement of Activities.....	20
Fund Financial Statements:	
Balance Sheet – Governmental Fund	22
Reconciliation of Fund Balance of Governmental Fund to Net Position of Governmental Activities	23
Statement of Revenues, Expenditures and Change in Fund Balance – Governmental Fund	24
Reconciliation of Net Change in Fund Balance of Governmental Fund to Change in Net Position of Governmental Activities.....	25
Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual: General Fund	26
Notes to Financial Statements	27

REPORTS ON INTERNAL CONTROL AND COMPLIANCE MATTERS

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	43
Independent Auditor’s Management Letter	45
Independent Accountant’s Report on Compliance with Local Government Investment Policies	47

**Town of Orchid, Florida
Town Officials
As of September 30, 2025**

Robert Gibbons
Mayor

Paul Knapp
Vice-Mayor

Daniel McEvoy
John Heanue
James Raphalian
Council Members

D. Jonathan Rhodeback
Town Attorney

Cherry Stowe
Town Manager

Jane Garcia
Town Clerk



THIS PAGE IS INTENTIONALLY LEFT BLANK.



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

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

7506 Lynx Way
Suite 201
Melbourne, FL 32940

321.255.0088
386.336.4189 (fax)
CRIadv.com

INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Orchid, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, and the major fund of the Town of Orchid, Florida, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Town of Orchid, Florida's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Town of Orchid, Florida, as of September 30, 2025, and the respective changes in financial position, and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2026, on our consideration of the Town of Orchid, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Orchid, Florida's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Orchid, Florida's internal control over financial reporting and compliance.

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

Melbourne, Florida
February 6, 2026



THIS PAGE IS INTENTIONALLY LEFT BLANK.

Town of Orchid, Florida
Management's Discussion and Analysis
September 30, 2025

The purpose of the Management's Discussion and Analysis (MD&A) is to give an objective and easily readable analysis of the Town of Orchid's (the "Town") financial performance for the fiscal year ended September 30, 2025, and to serve as an introduction to the audited financial statements. The MD&A also includes information on significant variations from budget and prior year actual.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of fiscal year 2025 by \$4,195,959 (net position). Of this amount, \$3,594,216 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

- The government's total net position increased from the prior year by a net amount of \$93,528. This was a smaller positive change in net position than at the end of the prior fiscal year. This was partly due to a decrease in the collection of property tax through a lower millage rate for fiscal year 2025. But the biggest difference from the prior year was that the Town in fiscal year 2024 had two large, one-time additions to revenue (a very large reimbursement for expenses from years prior and proceeds from the sale of former Town Hall), which were not applicable in fiscal year 2025.

- At the close of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$3,787,964; an increase of \$242,059 from the prior year. Of this total amount, \$3,575,844 is unassigned fund balance (reserves).

Overview of the Financial Statements

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

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

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

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

Town of Orchid, Florida
Management's Discussion and Analysis
September 30, 2025

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

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

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

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

Town of Orchid, Florida
Management's Discussion and Analysis
September 30, 2025

Government-Wide Financial Analysis

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

	Net Position	
	Governmental Activities	
	2025	2024
Assets		
Current and other assets	\$ 3,802,843	\$ 3,603,819
Capital assets, net	687,360	818,730
Total assets	\$ 4,490,203	\$ 4,422,549
Liabilities		
Long-term liabilities outstanding	\$ 279,365	\$ 299,379
Other liabilities	14,879	20,739
Total liabilities	294,244	320,118
Net position		
Investment in capital assets	416,807	528,527
Restricted	184,936	88,359
Unrestricted	3,594,216	3,485,545
Total net position	\$ 4,195,959	\$ 4,102,431

As of September 30, 2025, the Town's assets exceeded its liabilities by \$4,195,959. The Town's net investment in capital assets as of September 30, 2025 was \$416,807 or 9.94% of net position. These capital assets of the Town consist of 109 streetlights along the roads within the Town, as well as furniture, fixtures and equipment for the operation of Town Hall, and a dune restoration project completed in fiscal year 2023. Restricted net position represents excess discretionary sales tax at September 30, 2025.

Town of Orchid, Florida
Management's Discussion and Analysis
September 30, 2025

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

	Change in Net Position Governmental Activities	
	2025	2024
Program revenues:		
Charges for services	\$ 110,903	\$ 84,970
General revenues:		
Property taxes	423,024	538,109
Intergovernmental	224,901	1,211,126
Interest earnings	154,654	155,718
Other revenue	8,677	17,396
Gain on disposal of capital assets	-	235,411
Total revenues	922,159	2,242,730
Expenses:		
General government	730,487	717,421
Public works	98,144	123,692
Total expenses	828,631	841,113
Change in net position	93,528	1,401,617
Net position:		
Beginning of year	4,102,431	2,700,814
End of year	\$ 4,195,959	\$ 4,102,431

Charges for Services. In 2025, charges for services (licenses and permits) revenue increased \$25,933 from the prior year, after the Town raised fees associated with the Building Department starting fiscal year 2025. This is because the majority of this revenue comes from the issuance of building permits, which are for new construction, additions, renovations, and demolitions, as well as repairs, replacements and trade work pursuant to the Florida Building Code. This Building Department revenue is restricted by state law and may only be used for enforcement of the Florida Building Code, such as the costs for plan review and inspection services from a contracted vendor.

Property Taxes. Each year during the budget process, the millage rate is adjusted to meet the financial needs of the Town, i.e. to provide services, cover associated expenditures and maintain robust reserves. The Town's millage rate decreased from 1.00 in 2024 to 0.70 in 2025. Accordingly, the receipts in this category were reduced compared to the prior fiscal year, despite an 11% increase in taxable value across all properties within the Town.

Intergovernmental. Last fiscal year, the Town received a one-time reimbursement of \$978,596 from Indian River County for a portion of the Town's costs of past emergency dune repair projects. This year no such reimbursement was received (or anticipated). Largely for that reason, there was a decrease of \$911,875 in the overall intergovernmental revenue from the previous year. Reimbursements under a grant from the Florida Department of Environmental Protection negated the full impact of the decrease in this fiscal year. The more common type of intergovernmental revenue the Town receives

Town of Orchid, Florida
Management's Discussion and Analysis
September 30, 2025

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

Interest Earnings. During fiscal year 2025, the Town's interest earnings decreased \$1,064 from the prior year. The Town's investment of surplus funds in the Government Fund of FL STAR insulated the Town somewhat against the interest rate decreases implemented by the Federal Reserve during the fiscal year. The invested funds consistently received a higher rate of interest than those funds remaining in the Town's government checking account. Importantly, the Town's funds are readily available and protected under the Florida Security for Public Deposits Act.

Gain on disposal of capital assets. During fiscal year 2024, the Town moved its administrative offices to a new location and subsequently sold the unit in which Town Hall had been housed along with some of its furnishings and fixtures. This resulted in a gain on the sale of capital assets. By the start of this fiscal year, the Town had settled into its new location and did not have surplus capital property to sell.

General Government. Within the variety of line items covered by General Government costs, the year saw increases and decreases in comparison with the prior fiscal year. By the end of the fiscal year 2025, the overall sum of these costs was \$13,066 higher than at the end of fiscal year 2024.

Included in this category are the costs associated with the Town's human resources (salaries and wages and benefits), which altogether increased \$29,027, due to raises approved for all three staff members. Included in the increase were bonuses provided to the Town Manager and Town Clerk, who were recognized for their mutual achievement of a significant professional designation. Health insurance coverage for both fulltime positions at Town Hall was applicable for the entire fiscal year, as opposed to fiscal year 2024 when employee turnover caused the Town Clerk's position to go without coverage for seven months. The difference in this expenditure was an increase of \$13,066. Decreases totaling \$34,787 were booked in line items associated with professional services such as those provided by engineers, the town attorney, and the contracted building official. The Town's lease expenses, including common area maintenance fees, increased by the minimum rate of 3% during fiscal year 2025 – the first period during which the lease was active all year long.

Public Works. In fiscal year 2024, the Town undertook a major maintenance project for the Town's 109 streetlights, which were each cleaned, sanded, patched, primed and painted. The decrease of \$31,100 in streetlight maintenance for fiscal year 2025 is largely attributable to that, though the general upkeep of the lighting system by the Town's electrician was also less expensive.

Financial Analysis of the Governmental Fund

Program Revenues and Expenditures. Expenditures related to building department activities are included in various operating expenses. In determining program expenditures for building department activities, the Town includes 100% of expenditures for the contract Building Official and the Building Clerk (employee), as well as monthly cost of the cloud-based building permit processing software. During fiscal year 2025, building department revenue (including permit fees, penalties, and inspection fees) totaled \$109,533. Costs associated with enforcement of the Florida Building Code were \$121,556.

Town of Orchid, Florida
Management's Discussion and Analysis
September 30, 2025

The Town raised its building permit fees starting fiscal year 2025 in an attempt to minimize the shortfall between revenues and expenditures; the activity in the construction industry remains challenging to predict and it is the value of that work to which the fees are linked.

General Fund Budgetary Highlights

Review of budget numbers for fiscal year 2025 shows that actual revenues exceeded the originally budgeted revenues by \$124,889, which was largely accounted for with the final budget adopted in early November 2025 (prior to the final revenue figures becoming available). Every revenue category performed better than originally budgeted, but the interest earnings stand out in particular, as the Town was able to earn 50% more in interest than it anticipated, thanks in part to the prudent investment of surplus funds. The purpose for amending revenues in the final budget, when only the expenditure budget is required to be amended under state law, was to provide a full picture of the year's unfolded fiscal events.

Expenditures in fiscal year 2025 were lower than provided for in the original budget by \$1,290. Nevertheless, amendment of the final budget was necessary, as expenditures in capital outlay and public works exceeded the allocation for their categories. This over-expenditure was entirely offset by lower expenditures than budgeted for the category of general government. It's of interest to note that the over-expenditure in capital outlay was due to two unexpected factors. The first was the accidental destruction of one of the Town's streetlights by the County's Utility Department, which reimbursed the Town for the expenses of its replacement (within the Town's revenues). The second, and more impactful, was due to significant erosional damage wrought on the coast by Hurricane Milton which impacted Orchid in October 2024, as costs associated with engineering preparation for the forthcoming reconstruction of the dunes in fiscal year 2026 pushed capital outlay in fiscal year 2025.

The Town anticipated in its original budget that an excess of \$115,880 in revenues over expenditures would occur, but that revenue surplus over expenditures was actually \$242,059.

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

Capital Assets

The Town's capital assets for its governmental activities as of September 30, 2025, amounted to \$687,360 (net of accumulated depreciation and amortization). The Town's expenses in capital assets include mainly a Town Hall facility (building lease), building improvements, furniture and fixtures, machinery and equipment, as well as coastal infrastructure improvements. Furthermore, the Town operates a network of 109 streetlights. Depreciation of the coastal infrastructure accounts for the biggest difference between fiscal year 2025 and the prior year.

**Town of Orchid, Florida
Management's Discussion and Analysis
September 30, 2025**

	Governmental Activities	
	2025	2024
Streetlights, not placed in service	\$ 9,197	\$ 10,447
Construction in progress	8,500	-
Streetlights installed	85,635	83,363
Furniture and fixtures	6,855	8,117
Machinery & equipment	5,153	7,013
Building improvements	35,771	40,021
Infrastructure improvements	265,696	379,566
Right-to-use lease assets	270,553	290,203
Total capital assets, net	\$ 687,360	\$ 818,730

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

Economic Factors and Next Year's Budget and Rates

The Town is financially and operationally well positioned for the future. At the end of fiscal year 2025, the Town maintained its Reserve Target, which deals specifically with financial resilience while maintaining maximum flexibility for unassigned funds. The actual unassigned fund balance (reserves) was in excess of the Reserve Target at that time, but a portion of fund balance (both assigned and unassigned) is expected to be utilized in fiscal year 2026, as the Town prepares for a dune repair project to respond to significant erosion wrought by Hurricane Milton in 2024. This is exactly the type of expenditure envisioned by the Town's Fund Balance Policy and Reserve Target, which has allowed the Town to maintain the same millage rate for fiscal year 2026, as was effective for fiscal year 2025.

The Town would be remiss not to acknowledge the uncertainty surrounding its long-term future financial resources, as state legislators grapple with property tax reform which may pose potentially significant implications for property tax revenue for local governments. Indeed, this revenue is the Town's largest source. The Town continues to follow this discussion closely, assess the possible impacts, and engage its citizens on the subject

Requests for Information

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



THIS PAGE IS INTENTIONALLY LEFT BLANK.



TOWN OF ORCHID, FLORIDA

Basic Financial Statements



THIS PAGE IS INTENTIONALLY LEFT BLANK.

Town of Orchid, Florida
Statement of Net Position

<i>September 30, 2025</i>	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 665,691
Investments	3,080,621
Accounts receivable	511
Due from other governments	28,836
Prepaid items	27,184
Capital assets:	
Nondepreciable:	
Streetlights, not placed in service	9,197
Construction in progress	8,500
Depreciable, net of accumulated depreciation/amortization:	
Streetlights installed	85,635
Building improvements	35,771
Machinery and equipment	5,153
Furniture and fixtures	6,855
Infrastructure improvements	265,696
Right-to-use Lease assets	270,553
Total assets	\$ 4,490,203
LIABILITIES	
Accounts payable	\$ 12,578
Accrued payroll and related liabilities	2,101
Unearned revenue	200
Noncurrent liabilities:	
Due within one year:	
Compensated absences	8,812
Lease liability	21,869
Due in more than one year:	
Lease liability	248,684
Total liabilities	294,244
NET POSITION	
Net investment in capital assets	416,807
Restricted for:	
Infrastructure	184,936
Unrestricted	3,594,216
Total net position	\$ 4,195,959

Town of Orchid, Florida
Statement of Activities

For the year ended September 30, 2025

Functions/Programs	Program Revenues		
Expenses	Charges for Services and Fines	Operating Grants and Contributions	
General government	\$ 730,487	\$ 110,903	\$ -
Public works	98,144	-	-
Total governmental activities	\$ 828,631	\$ 110,903	\$ -

General revenues:

Property taxes
Intergovernmental
Interest earnings
Other revenue

Total general revenues

Change in net position

Net position, beginning of year

Net position, end of year

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

		Net (Expense) Revenue and Changes in Net Position	
		Capital Grants and Contributions	Governmental Activities
\$	-	\$	(619,584)
	-		(98,144)
\$	-		(717,728)
			423,024
			224,901
			154,654
			8,677
			811,256
			93,528
			4,102,431
		\$	4,195,959

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

Town of Orchid, Florida
Balance Sheet
Governmental Fund

September 30, 2025

General Fund

ASSETS

Cash and cash equivalents	\$	665,691
Investments		3,080,621
Accounts receivable		511
Due from other governments		28,836
Prepaid items		27,184
Total assets	\$	3,802,843

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	\$	12,578
Accrued payroll and related liabilities		2,101
Unearned revenue		200
Total liabilities		14,879

Fund balances:

Nonspendable		
Prepaid items		27,184
Restricted for:		
Infrastructure		184,936
Unassigned		3,575,844
Total fund balances		3,787,964
Total liabilities and fund balances	\$	3,802,843

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

Town of Orchid, Florida

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

<i>For the year ended September 30,</i>	2025
Total fund balance of governmental fund	\$ 3,787,964
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund.	
Governmental capital assets, not depreciated	17,697
Governmental capital assets, depreciated/amortized	1,197,911
Less accumulated depreciation/amortization	<u>(528,248)</u>
	687,360
Certain liabilities, including compensated absences and Lease liabilities, are not due and payable in the current period and therefore, are not reported in the governmental funds	
Compensated absences	(8,812)
Lease liabilities	(270,553)
	(279,365)
Net position of governmental activities	\$ 4,195,959

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

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

<i>For the year ended September 30, 2025</i>	General Fund
Revenues	
Property taxes	\$ 423,024
Intergovernmental	262,076
Licenses and permits	110,903
Interest earnings	154,654
Other revenue	8,677
Total revenues	959,334
Expenditures	
Current:	
General government	574,200
Public works	87,848
Capital outlay	19,818
Debt service (See Note 2):	
Principal	19,650
Interest	15,759
Total expenditures	717,275
Net change in fund balances	242,059
Fund balances, beginning of year	3,545,905
Fund balances, end of year	\$ 3,787,964

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

Town of Orchid, Florida

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

<i>For the year ended September 30,</i>	2025
Net change in fund balances - total governmental funds	\$ 242,059
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense. This is the amount by which capital outlay exceeded depreciation/amortization in the current period.</p>	
Capital outlay	\$ 19,818
Depreciation/amortization	<u>(150,861)</u>
	(131,043)
<p>In the statement of activities, the gain (loss) on the disposal of capital assets is reported, whereas in the governmental funds, disposals are not reported. Thus, the change in net position differs from the change in fund balance by the net book value of the disposed capital assets.</p>	
	(327)
<p>The issuance of long-term debt (e.g. leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. This is the net effect of these differences in the treatment of long-term debt related items.</p>	
Debt (lease liability) principal	<u>19,650</u>
	19,650
<p>Some revenues not collected within 60 days after the close of the Town's fiscal year-end are not considered as "available" revenue in the governmental funds. In the statement of net position, presented on full accrual basis, these revenues are recognized.</p>	
	(37,175)
<p>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.</p>	
Change in the accrual for compensated absences	364
Change in net position of governmental activities	\$ 93,528

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

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

<i>For the year ended September 30, 2025</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 414,324	\$ 423,024	\$ 423,024	\$ -
Intergovernmental	215,221	264,000	262,076	(1,924)
Licenses and permits	101,000	110,900	110,903	3
Interest earnings	100,000	154,650	154,654	4
Other revenue	3,900	8,670	8,677	7
Total revenues	834,445	961,244	959,334	(1,910)
Expenditures				
Current:				
General government	582,906	575,488	574,200	1,288
Public works	89,750	87,848	87,848	-
Debt service				
Principal	19,650	19,650	19,650	-
Interest	15,759	15,759	15,759	-
Capital outlay	10,500	19,820	19,818	2
Total expenditures	718,565	718,565	717,275	1,290
Excess of revenues over expenditures	115,880	242,679	242,059	(620)
Fund balances, beginning of year	3,545,905	3,545,905	3,545,905	-
Fund balances, end of year	\$ 3,661,785	\$ 3,788,584	\$ 3,787,964	\$ (620)

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

Town of Orchid, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Town had no business-type activities at September 30, 2025.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Town of Orchid, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

The Town reports the following major governmental fund:

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

Town of Orchid, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary information

Budgetary basis of accounting

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

1. Annually, the Town Manager submits to the Town Council a proposed operating budget for the ensuing fiscal year, commencing October 1. The operating budget includes proposed expenditures and the means of funding them.
2. Public hearings are conducted to obtain taxpayer comments regarding the Town's budget and millage rate in accordance with Chapter 200 of the Florida Statutes.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance. It is adopted at the Town Council level of government.
4. For the fiscal year ended September 30, 2025, there was a budget amendment to reallocate available funding for capital outlay expenditures.
5. Annual appropriated budgets are adopted for the General Fund on a basis consistent with accounting principles generally accepted in the United States of America.
6. The Town Council may make, by ordinance, supplemental appropriations during the fiscal year. There were no supplemental appropriations for the fiscal year ended September 30, 2025.
7. The Town's budget is adopted on a basis consistent with generally accepted accounting principles in the United States of America. The Town's budgetary level of control is legally maintained at the fund level.

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

Cash and equivalents

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

Receivables and payables

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

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

Town of Orchid, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Prepaid Items

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

Capital Assets

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

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

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Compensated Absences

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

Leases

Lease contracts that provide the Town with control of a non-financial asset, such as land, buildings or equipment, for a period of time in excess of twelve months are reported as a right-to-use lease asset with a related lease liability. The lease liability is recorded at the present value of future lease payments, including fixed payments, variable payments based on an index or fixed rate and reasonably certain residual guarantees. Common area maintenance fees (CAM) are not considered a part of lease payments. The intangible right-to-use lease asset is recorded for the same amount as the related lease liability plus any prepayments and initial direct costs to place the asset in service. Right-to-use lease assets are amortized over the shorter of the useful life of the asset or the lease term. The lease liability is reduced for lease payments made, less the interest portion of the lease payment.

Categories and Classification of Net Position and Fund Balance

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

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

Town of Orchid, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

The Town Council determined that an initial reserve target be reestablished in an amount at least sufficient to cover both (a) the current estimated surveying, engineering and construction costs for at least two emergency dune replenishment projects in response to major storm events, (b) 25% of the budgeted expenditures of the fiscal year with respect to which the reserve target is applicable (exclusive of any budgeted dune replenishment project costs and any other significant non-recurring expenditure items), and (c) the amount received in reimbursement from Indian River County for the Town’s pro rata share in Federal and State funds association associated with the Town’s emergency dune repair costs following Hurricanes Matthew, Irma and Dorian. Through the adoption of Resolution 2024-08, the Town established a reserve target balance in its unassigned fund

Town of Orchid, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

balance equal to \$3,200,000. In accordance with the Town of Orchid Fund Balance and Reserve Policy, the Town Council may amend the level of this reserve target as well as the aforementioned methodology in setting the reserve target by subsequent resolution.

Revenues and Expenditures/Expenses

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

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

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

Taxable values are established by the Indian River County Property Appraiser, while the Indian River County Tax Collector bills and collects all property taxes and remits the Town's proportionate share to the Town. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of taxable valuation). The tax levy of the Town is established by the Town Council through the adoption of a millage rate. The Indian River County Property Appraiser incorporates the Town's millage into the total tax levy, which includes the County's, the County School Board's, and several Taxing Districts' tax requirements. The millage rate assessed by the Town for the year ended September 30, 2025 was 0.7000 mills (\$0.7000 per \$1,000 of taxable assessed valuation).

Town of Orchid, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 6, 2026, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued and Implemented Accounting Pronouncements

The Town implemented the following standard during the current year.

GASB Statement No. 101, *Compensated Absences*, the objective of this Statement is to better meet the information needs of the financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement required an immaterial amount of additional leave to be accrued.

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

GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-Based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

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

Note 2: DETAILED NOTES ON ALL FUNDS

Deposits and Investments

At September 30, 2025, the Town's carrying amount of cash deposits was \$665,391 and the bank balance was \$676,462. In addition, the Town reported petty cash of \$300. As of September 30, 2025, \$250,000 of the Town's bank balance is covered by federal depository insurance (FDIC). Monies invested in amounts greater than the insurance coverage are secured by qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Depositories Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the Town pursuant to Section 280.08, Florida Statutes.

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

Florida Short Term Asset Reserve (FLSTAR)

The Town participates in FLSTAR, an intergovernmental investment pool established under Section 163.01, Florida Statutes, and authorized for Units of Local Government pursuant to Section 218.415, Florida Statutes. The pool is managed by J.P. Morgan Investment Management Inc., with custodial services provided by JPMorgan Chase Bank, N.A. and administration by Hilltop Securities Inc. and DST Asset Manager Solutions, Inc.

The Town's investment in FLSTAR totaled \$3,080,621. The pool seeks to maintain a stable net asset value of \$1.00 per unit using amortized cost accounting, although this value is not guaranteed or insured. Investments in FLSTAR are not insured by the FDIC or any other government agency.

Under GASB Code Section 150: *Investments*, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements.

Credit Quality

FLSTAR states that all portfolios maintain an "AAAm" rating (or equivalent) from at least one nationally recognized rating organization. The Government Fund and Prime Fund were rated "AAAm" by Standard & Poor's upon initial deposits as of September 30, 2025.

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investment (Continued)

Liquidity and Withdrawals

The weighted average maturity (WAM) of each portfolio is limited to 60 days when calculated to the next interest rate reset or required payment date and 120 days when calculated to the final maturity date. Individual securities are subject to maturity limits.

Deposits and withdrawals are available via wire transfer (same-day if requested by cutoff time) or ACH (next business day). Withdrawals may be temporarily suspended in rare market emergency conditions.

The Town's participation in FLSTAR is authorized under Section 218.415, Florida Statutes, which governs investment of surplus funds by local governments. This statute permits investment in intergovernmental investment pools and requires the emphasis of investment decisions to be on safety, liquidity, and return as of September 30, 2025.

Fees

Co-Administrators' fees are 0.10% annually for the Government Fund and 0.13% annually for the Prime Fund, accrued daily and paid monthly. These fees include operating expenses such as custodian services, audit, and rating agency fees. The Town's investment is held entirely within the Government Fund.

Interest Rate Risk

The prices of bonds and other debt securities in which the Government Fund will invest, including bonds and debt securities issued by the U.S. Government, its agencies and instrumentalities, will change in value, that is, market price based on changes in interest rates. If rates increase, the value of these investments generally declines. Interest rate changes have a greater effect on the price of fixed income securities with longer maturities. The Government Fund may invest in variable and floating rate securities. Although these instruments are generally less sensitive to interest rate changes than fixed rate instruments, the value of floating rate and variable securities may decline if their interest rates do not rise as quickly, or as much, as general interest rates

Credit Risk

Credit risk is the possibility that an issuer of a fixed income security held by the Government Fund will default on the security by failing to pay principal or interest when due. Any class of investment is subject to this risk. Remedies against a defaulting issuer of securities are limited, and the Government Fund may not be successful in securing repayment. A deterioration in credit quality or perceived credit quality of an investment held by the Government Fund could reduce the market price at which the Government Fund could sell the investment. The Investment Manager assesses the credit quality of the investment made for the Government Fund.

Town of Orchid, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Accounts Receivable

All account receivables are shown net of allowances for uncollectible accounts for governmental funds. The accounts receivable and allowance for uncollectible accounts at September 30, 2025, were as follows:

	Accounts Receivable	Allowance for Uncollectible Accounts		Net
General Fund	\$ 511	\$ -	\$	511

Property taxes are considered fully collected (96% of the levy) during and prior to the end of the fiscal year. Therefore, no material amounts of property taxes are receivable as of September 30, 2025. There are no other reserves for receivables recorded by the Town as of September 30, 2025.

Town of Orchid, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

The following is a summary of changes in capital assets during the year ended September 30, 2025.

Governmental activities:	Beginning Balance	Additions / Transfers	Disposals / Transfers	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 8,500	\$ -	\$ 8,500
Streetlights, not placed in service	10,447	9,198	(10,448)	9,197
Total capital assets, not being depreciated	10,447	17,698	(10,448)	17,697
Capital assets, being depreciated:				
Streetlights installed	243,699	12,568	(1,934)	254,333
Furniture and fixtures	21,606	-	-	21,606
Machinery and equipment	9,299	-	-	9,299
Building improvements	42,500	-	-	42,500
Infrastructure improvements	569,349	-	-	569,349
Total capital assets being depreciated	886,453	12,568	(1,934)	897,087
Less accumulated depreciation for:				
Streetlights installed	(160,336)	(9,969)	1,607	(168,698)
Furniture and fixtures	(13,489)	(1,262)	-	(14,751)
Machinery and equipment	(2,286)	(1,860)	-	(4,146)
Building improvements	(2,479)	(4,250)	-	(6,729)
Infrastructure improvements	(189,783)	(113,870)	-	(303,653)
Total accumulated depreciation	(368,373)	(131,211)	1,607	(497,977)
Total capital assets being depreciated, net	518,080	(118,643)	(327)	399,110
Right-to-use Lease assets, being amortized	300,824	-	-	300,824
Total Right-to-use Lease assets, being amortized	300,824	-	-	300,824
Less accumulated amortization for				
Lease assets	(10,621)	(19,650)	-	(30,271)
Total accumulated amortization	(10,621)	(19,650)	-	(30,271)
Right-to-use lease assets being amortized, net	290,203	(19,650)	-	270,553
Governmental activities capital assets, net	\$ 818,730	\$ (120,595)	\$ (10,775)	\$ 687,360

Town of Orchid, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

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

<i>For the year ended September 30,</i>	2025
<hr/>	
Governmental activities	
General government	\$ 140,892
Public Works	9,969
<hr/>	
Total depreciation/amortization expense	
- governmental activities	\$ 150,861
<hr/> <hr/>	

Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2025 was as follows for governmental activities:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<hr/>					
Governmental Activities					
Compensated absences*	\$ 9,176		\$ (364)	\$ 8,812	\$ 8,812
Lease liabilities	290,203	-	(19,650)	270,553	21,869
<hr/>					
Total Government Activities	\$ 299,379	\$ -	\$ (20,014)	\$ 279,365	\$ 30,681
<hr/> <hr/>					

* The change is shown net

Leases- Lessee

The Town has entered into a lease agreement to obtain the right-to-use office space. The total annual value for the office space that the Town paid for the fiscal year ended September 30, 2025 was \$35,409. The lease has a 10-year initial term and three additional 5-year renewal terms, which are expected to be renewed. The payments for each renewal term escalate by the percentage change in the Consumer Price Index, with a minimum increase of no less than three percent (3%) annually and a maximum increase of six percent (6%). Monthly payment amounts are \$2,900 through February 2025 and increased to \$2,987 beginning in March 2025. The future minimum lease payments are calculated using an implicit borrowing rate of 5.6% determined at lease inception.

Town of Orchid, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

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

For the Years Ending September 30,	Principal Payments	Interest Expense	Total
2026	\$ 21,869	\$ 14,603	\$ 36,472
2027	24,248	13,318	37,566
2028	26,796	11,895	38,691
2029	29,528	10,326	39,854
2030	32,451	8,598	41,049
Thereafter	135,661	13,942	149,603
Total	\$ 270,553	\$ 72,682	\$ 343,235

Note 3: RETIREMENT PLAN

Defined Contribution Pension Plan

Effective March 5, 2003, the Town established a defined contribution plan (the "Plan") for the Town Manager in accordance with the Internal Revenue Service Code Section 401(a) and Resolution Number 2003-02. On February 4, 2004, under Resolution Number 2004-02, all full-time employees became eligible for this plan. The Plan members do not contribute to the Plan. The Town's required contribution is seven- and one-half percent of each plan member's gross salary. For the fiscal year ended September 30, 2025, the Town contributed \$14,230 to the Plan, in which there are two employees participating. If a participant separates from service and subsequently becomes employed with another unit of a state or local government, then the participant may rollover the benefits into his/her new employer's pension plan providing said plan permits rollovers. The provisions of the Plan may be amended by the Town Council. The Plan is held in a trust for the exclusive benefit of the participants and their beneficiaries, and consequently, the Town has no fiduciary responsibility. The net position of the Plan, therefore, is not included in the Town's financial statements.

Note 4: RISK MANAGEMENT

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



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



THIS PAGE IS INTENTIONALLY LEFT BLANK.



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

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

7506 Lynx Way

Suite 201

Melbourne, FL 32940

321.255.0088

386.336.4189 (fax)

CRIadv.com

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Town of Orchid, Florida (the "Town"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 6, 2026.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

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

Melbourne, Florida
February 6, 2026



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

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

7506 Lynx Way

Suite 201

Melbourne, FL 32940

321.255.0088

386.336.4189 (fax)

CRIadv.com

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the Town of Orchid, Florida as of and for the fiscal year ended September 30, 2025 and have issued our report thereon dated February 6, 2026.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated February 6, 2026, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

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

Financial Condition and Management

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

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

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

Property Assessed Clean Energy (PACE) Programs

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

Additional Matters

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

Purpose of this Letter

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

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

Melbourne, Florida
February 6, 2026



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

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

7506 Lynx Way

Suite 201

Melbourne, FL 32940

321.255.0088

386.336.4189 (fax)

CRIadv.com

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

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

We have examined the Town of Orchid, Florida's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2025. Management of the Town of Orchid, Florida is responsible for the Town of Orchid, Florida's compliance with the specified requirements. Our responsibility is to express an opinion on the Town of Orchid, Florida's compliance with the specified requirements based on our examination.

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

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement. Our examination does not provide a legal determination on the Town of Orchid, Florida's compliance with specified requirements.

In our opinion, the Town of Orchid, Florida complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2025.

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

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

Melbourne, Florida

February 6, 2026