



TOWN OF OCEAN RIDGE, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2014



TOWN OF OCEAN RIDGE, FLORIDA
SEPTEMBER 30, 2014

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INDEPENDENT AUDITOR'S REPORT

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

Report on the 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, 2014, 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, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 14 to the financial statements, the Town adopted the recognition and disclosure requirements of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during the fiscal year ended September 30, 2014. The net position of the governmental activities as of October 1, 2013 has been restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 7, the budgetary comparison data on pages 43 and 44, and the Schedule of Funding Progress - Other Postemployment Benefits on page 45 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 January 26, 2015, 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
January 26, 2015

TOWN OF OCEAN RIDGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014

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, 2014. 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 at the close of the most recent fiscal year by \$14,290,221 (net position) compared to last year when assets exceeded liabilities by \$13,922,463. The net position at the end of 2014 included \$3,474,219 in unrestricted net position.
- § The government activities revenues were \$5,600,711 at the close of fiscal year 2014.
- § The Town's total expenses were \$5,232,953 during the fiscal year 2014.
- § Total expenditures were \$5,495,643 during fiscal year 2014, of which the following projects were completed: \$37,008 spent for the Inlet Cay Approach; \$85,264 was expended for the remainder of the Inlet Cay Drainage Repairs to the cul-de-sacs (total cost \$249,063); \$84,911 for the Thompson Street Drainage/Paving Improvements, and \$44,844 thus far for the Eleuthera Drive Drainage/Paving, which will be completed in FY 2015. Portions of these projects were funded through monies transferred from the General Fund.
- § At the end of the 2014 fiscal year, the unassigned fund balance for the general fund was \$2,360,013 or 45% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

The government-wide statements report the Town's net position and how it has changed. Net position, the difference between the Town's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, is one way to measure the Town's financial health or financial position. Over time, increases or decreases in the Town's net position are indicators of whether its financial health is improving or deteriorating. You will need to consider other

non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's infrastructure in order to assess the overall health of the Town.

Fund Financial Statements

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

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

§ The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Net Position

The Town's combined net position for the fiscal year ending 2014 is \$14,290,221. This is a \$367,758 increase over last year's net position of \$13,922,463.

**Summary of Net Position
Total Primary Government**

	<u>2013</u>	<u>2014</u>
Current Assets	\$ 3,691,267	\$ 3,809,781
Capital Assets	18,458,185	18,224,257
Total Assets	<u>22,149,452</u>	<u>22,034,038</u>
Deferred Outflows of Resources	<u>469,549</u>	<u>431,059</u>
Current Liabilities	147,305	159,511
Non-current liabilities	8,540,350	8,006,909
Total Liabilities	<u>8,687,655</u>	<u>8,166,420</u>
Deferred Inflows of Resources	<u>8,883</u>	<u>8,456</u>
Net Investment in Capital Assets	10,478,791	10,751,062
Restricted for Debt Service	63,941	64,940
Unrestricted	3,379,731	3,474,219
Total Net Position	<u>\$ 13,922,463</u>	<u>\$ 14,290,221</u>

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

	<u>2013</u>	<u>2014</u>
<u>Revenues:</u>		
Program Revenues:		
Charges for Services	\$ 763,534	\$ 959,672
Operating grants and contributions	30,500	9,953
Capital grants and contributions	119,415	
General Revenues:		
Property Taxes	3,611,937	3,749,922
Other Taxes	559,254	608,622
Intergovernmental	196,838	220,632
Investment earnings	18,044	26,691
Other	10,437	25,219
Total Revenues	<u>5,309,959</u>	<u>5,600,711</u>
<u>Expenses:</u>		
General Government	1,032,675	978,302
Public Safety	2,650,350	2,761,480
Public Services	605,816	636,805
Public Works	453,448	588,635
Other	284,439	267,731
Total Expenses	<u>5,026,728</u>	<u>5,232,953</u>
Increase in net position	283,231	367,758
Net Position, beginning	13,639,232	13,922,463
Net Position, ending	<u>\$ 13,922,463</u>	<u>\$ 14,290,221</u>

General Fund Budgetary Highlights

Actual expenditures during 2014 were \$331,616 less than budgeted expenditures and actual revenues were \$293,842 more than budgeted amounts, which led to a \$333,956 excess of revenues over expenditures. A \$300,000 transfer was made to the Capital Projects Fund. The overall increase in the Fund Balance was \$41,456.

Capital Asset and Debt Administration

Capital Assets

At the end of the fiscal year 2014, the Town had \$18,224,257 invested in a broad range of capital assets including police equipment, building, infrastructure and water improvements. Additional information about capital assets can be found in the Note 4 to the financial statements.

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

Summary of Capital Assets Net of Accumulated Depreciation

	<u>2013</u>	<u>2014</u>
Land	\$ 801,675	\$ 801,675
Construction in Progress	179,719	59,070
Buildings	5,312,403	5,333,349
Equipment	886,959	1,071,819
Infrastructure	17,741,485	18,038,072
	<u>24,922,241</u>	<u>25,303,985</u>
Less Accumulated Depreciation	6,464,056	7,079,728
TOTALS	<u>\$ 18,458,185</u>	<u>\$ 18,224,257</u>

Debt and Long-Term Liabilities

As of September 30, 2014, the Town had long-term liabilities of \$4,401,187 owed to the Florida Department of Environmental Protection as part of the State Revolving Loan, a federal program with state match, \$3,072,008 owed to Bank of America for a promissory note, \$35,512 in accrued interest on long-term debt, \$82,668 in compensated absences, and \$19,987 in other postemployment benefits.

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

	2013	2014
State Revolving Fund Loan	\$ 4,738,282	\$ 4,401,187
Bank of America Promissory Note	3,244,037	3,072,008
OPEB	15,248	19,987
Compensated Absences	73,234	82,668
	\$ 8,070,801	\$ 7,575,850

Economic Factors and Next Year's Budgets and Rates

For the 2015 fiscal year, general fund revenue projections have been comparable to previous years.

- The budget is balanced by using reserves from the Fund Balance.
- The user fee rate proposed for the fiscal year 2015 includes a minimal increase to the Garbage/Trash Rate.
- The general fund millage rate remains at 5.35 mills with an overall \$2,480 increase in the general fund expenses (even considering the \$200,000 additional transfer approved to the Capital Projects Fund), plus a \$100,000 original approved transfer to the Capital Projects Fund. The expenses still include funding for fire services, and the loan repayment costs for both the drainage improvements and new Town Hall/Police Facility. The Fund Balance Unappropriated to balance the budget was approximately \$268,344 less than the prior year and includes a \$150,000 fund transfer.
- One Maintenance F250 Truck/8' Bed/Tow Package will be replaced at a cost of \$28,500.
- New Alarm Monitoring System at a cost of \$20,000.
- Additional Police Officer and associated benefits at an approximate cost of \$85,000.
- Drainage/Paving Repairs for Eleuthera Drive will be completed with funding from the Capital Projects Fund

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 Blvd., Ocean Ridge FL 33435.

TOWN OF OCEAN RIDGE, FLORIDA
Statement of Net Position
September 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 1,368,338
Investments	2,244,757
Accounts receivable (net)	114,143
Prepays	4,552
Deferred charges	
Restricted cash and cash equivalents	77,991
Capital assets	
Non-depreciable	860,745
Depreciable (net of depreciation)	<u>17,363,512</u>
Total assets	<u>22,034,038</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Accumulated decrease in fair value - interest rate swap	<u>431,059</u>
 LIABILITIES	
Current liabilities	
Accounts payable	48,993
Accrued payroll	75,006
Accrued interest payable	22,461
Accrued interest payable from restricted assets	13,051
Non-current liabilities	
Interest rate swap	431,059
Due within one year	559,373
Due in more than one year	<u>7,016,477</u>
Total liabilities	<u>8,166,420</u>
 DEFERRED INFOWS OF RESOURCES	
Unearned revenue	<u>8,456</u>
 NET POSITION	
Net investment in capital assets	10,751,062
Restricted for debt service	64,940
Unrestricted	<u>3,474,219</u>
Total net position	<u><u>\$ 14,290,221</u></u>

See notes to the financial statements

TOWN OF OCEAN RIDGE, FLORIDA
Statement of Activities
For the Fiscal Year Ended September 30, 2014

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	\$ 978,302	\$ 296,630	\$ 8,953	\$	\$ (672,719)
Public safety	2,761,480	364,372	1,000		(2,396,108)
Public works	588,635				(588,635)
Public services	636,805	298,670			(338,135)
Interest on long term debt	267,731				(267,731)
Total governmental activities	5,232,953	959,672	9,953		(4,263,328)
General revenues					
Property taxes					3,749,922
Utility service taxes					390,145
Franchise taxes					167,505
Gasoline taxes					50,972
State shared revenues - unrestricted					173,344
Local shared revenues - unrestricted					47,288
Investment earnings					26,691
Miscellaneous					25,219
Total general revenues					4,631,086
Change in net position					367,758
Net position, beginning of year as restated					13,922,463
Net position, end of year					<u>\$ 14,290,221</u>

See notes to the financial statements

TOWN OF OCEAN RIDGE, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2014

	General	Capital Projects	Total
ASSETS			
Cash and cash equivalents	\$ 1,099,981	\$ 268,357	\$ 1,368,338
Investments	2,244,757		2,244,757
Accounts receivable (net)	114,143		114,143
Prepaid items	4,552		4,552
Restricted cash and cash equivalents	77,991		77,991
Total assets	\$ 3,541,424	\$ 268,357	\$ 3,809,781
LIABILITIES			
Accounts payable	\$ 44,110	\$ 4,883	\$ 48,993
Accrued payroll	75,006		75,006
Total liabilities	119,116	4,883	123,999
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	8,456		8,456
Unavailable revenue	13,943		13,943
Total deferred inflows of resources	22,399		22,399
FUND BALANCES			
Non-Spendable:			
Prepays	4,552		4,552
Restricted for:			
Debt service	77,991		77,991
Assigned to:			
Self insurance	160,000		160,000
Drainage	370,000		370,000
Beautification	115,000		115,000
Subsequent year budget	312,353		312,353
Capital projects		263,474	263,474
Unassigned	2,360,013		2,360,013
Total fund balances	3,399,909	263,474	3,663,383
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,541,424	\$ 268,357	\$ 3,809,781

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, 2014

Fund balances total governmental funds		\$ 3,663,383
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	\$ 25,303,985	
Less accumulated depreciation	<u>(7,079,728)</u>	18,224,257
Revenues earned but not collected within 60 days are not current financial resources and therefore, are not reported in the governmental fund.		
Unavailable revenue		13,943
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	(82,668)	
Loans payable	(7,473,195)	
Other postemployment benefits	(19,987)	
Accrued interest on long-term debt	<u>(35,512)</u>	<u>(7,611,362)</u>
Net position of governmental activities		<u>\$ 14,290,221</u>

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, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
REVENUES			
Property taxes	\$ 3,749,922	\$	\$ 3,749,922
Utility service taxes	390,145		390,145
Gasoline taxes	50,972		50,972
Sales taxes	132,075		132,075
Local business tax	2,509		2,509
Electric franchise fee	167,505		167,505
State shared revenues	40,757		40,757
Local shared revenues	40,709		40,709
Licenses and permits	274,604		274,604
Grants	1,000		1,000
Fines and forfeitures	101,094		101,094
Charges for services	581,465		581,465
Interest	31,048	38	31,086
Contributions	8,953		8,953
Miscellaneous	5,882		5,882
Total revenues	<u>5,578,640</u>	<u>38</u>	<u>5,578,678</u>
EXPENDITURES			
Current			
General government	713,556		713,556
Public safety	2,731,651		2,731,651
Public works	216,227		216,227
Public services	636,805		636,805
Debt service			
Principal	509,124		509,124
Interest	269,989		269,989
Capital outlay	167,332	250,959	418,291
Total expenditures	<u>5,244,684</u>	<u>250,959</u>	<u>5,495,643</u>
Excess (deficiency) of revenues over expenditures	<u>333,956</u>	<u>(250,921)</u>	<u>83,035</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	7,500		7,500
Transfers in		300,000	300,000
Transfers out	(300,000)		(300,000)
Total other financing sources (uses)	<u>(292,500)</u>	<u>300,000</u>	<u>7,500</u>
Net change in fund balances	41,456	49,079	90,535
Fund balances, beginning of year	<u>3,358,453</u>	<u>214,395</u>	<u>3,572,848</u>
Fund balances, end of year	<u>\$ 3,399,909</u>	<u>\$ 263,474</u>	<u>\$ 3,663,383</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, 2014

Net change in fund balances - total governmental funds \$ 90,535

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	\$ 453,436	
Less: current year depreciation	<u>(683,691)</u>	(230,255)

Capital assets donated to the Town		8,090
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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		509,124
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Gains and losses on the disposal of fixed assets are not reported in the governmental funds but are reported in the statement of activities

Net book value of fixed asset disposals		(11,764)
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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		13,943
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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	2,258	
Increase in compensated absences payable	(9,434)	
Increase in other postemployment benefits	<u>(4,739)</u>	<u>(11,915)</u>

Change in net position		<u>\$ 367,758</u>
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See notes to the financial statements

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2014

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, 2014

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.

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Fines and permit revenues are not susceptible to accrual because generally, they are not measurable until received in cash. Property taxes, franchise taxes, licenses, interest revenue, intergovernmental revenues, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed.

The Town reports the following major governmental funds:

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

The Capital Projects Fund accounts for the financial resources for the acquisition or construction of major capital facilities.

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include amounts on deposit in demand accounts and money market accounts. The Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments consist of time deposits and U.S. Treasury Notes. All investments are reported at fair value based on quoted market prices.

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.

Capital Assets

Capital assets, which include plant, property, equipment, and infrastructure assets (i.e., roads, bridges, and sidewalks), are reported in the government-wide financial statements. Such assets are recorded at cost or the fair market value of the assets at the time of purchase or contribution. The Town is a Phase 3 government under GASB 34 and has elected not to report major general infrastructure assets retroactively. Depreciation has been provided over the useful lives using the straight line method. 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, 2014

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.

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances (Continued)

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.

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. A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period. Net position is displayed in the following three components:

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position (Continued)

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.”

Interfund Transactions

Transactions between funds consist of loans, services provided, reimbursements, or transfers. 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.

Budgetary Data

Formal budgetary integration is employed as a management control device during the year for the General Fund and the Capital Projects Fund. All budgets are legally enacted. Budgets are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by appropriate action.

Property Taxes

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

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes (Continued)

The tax levy of the Town is established by the Town Commission prior to October 1 of each year, and the Palm Beach County Property Appraiser incorporates the Town's millages 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, 2014 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 collectibility 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, 2014

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, 2014.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The cumulative effect of applying this statement is required to be reported as a restatement of beginning net position. See Note 14.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*. GASB 66 improves accounting and financial reporting for a governmental reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Implementation of this statement did not have any effect on the Town's financial statements.

Recently Issued Accounting Pronouncements

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

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27*. GASB 68 improves financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for the fiscal year ending September 30, 2015.

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

In November 2013, the GASB issued Statement No. 71, *Pension Transition Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*. This Statement amends paragraph 137 of GASB 68 to require that, at transition, a government recognize the beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB 68.

NOTE 2 – BUDGETARY INFORMATION

Budget Policy and Practice

The Town Manager submits an annual budget to the Town Commission in accordance with the Town Charter and the Florida Budget Act. The budget is presented to the Town Commission for review, and public hearings are held to address priorities and the allocation of resources. In September, the Town Commission adopts the annual fiscal year appropriated budgets for the Town funds. Once approved, the Town Commission may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Basis of Budgeting

The General Fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department, which constitutes the legal level of control. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to final review by the Town Commission. Within these control levels, the Town Manager may transfer appropriations between line items.

The budget for the General Fund is prepared on the basis of generally accepted accounting principles in the United States of America. The budget and actual financial statements are also reported on this basis. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2014

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, 2014, the bank balance of the Town's deposits was \$2,254,224 and the carrying amount was \$2,197,304, which includes certificates of deposit of \$751,125 reported as investments. The Town also had \$150 in petty cash for a total carrying amount of \$2,197,454.

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.

As of September 30, 2014, the Town held the following certificates of deposit that are reported as investments in the balance sheet and statement of net assets:

	<u>Maturity</u>	<u>Fair Value</u>
Certificate of Deposit	147 days	\$ 500,000
Certificate of Deposit	189 days	<u>251,125</u>
		<u>\$ 751,125</u>

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of September 30, 2014, the Town held the following investments in U.S. Treasury Notes.

Investment	Maturity	Fair Value
U.S. Treasury Note	2.46 years	\$ 499,062
U.S. Treasury Note	3.92 years	499,766
U.S. Treasury Note	4.67 years	494,804
		\$ 1,493,632

Credit Risk

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

Interest Rate Risk

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments that are in the possession of an outside party. At September 30, 2014, all the Town's investments were insured or collateralized.

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014, 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
Construction in progress	179,719	59,070	(179,719)	59,070
Total non-depreciable assets	<u>981,394</u>	<u>59,070</u>	<u>(179,719)</u>	<u>860,745</u>
Capital assets being depreciated				
Building	5,312,403	20,946		5,333,349
Infrastructure	17,741,485	320,375	(23,788)	18,038,072
Equipment	886,959	240,855	(55,995)	1,071,819
Total depreciable assets	<u>23,940,847</u>	<u>582,176</u>	<u>(79,783)</u>	<u>24,443,240</u>
Total capital assets	<u>24,922,241</u>	<u>641,246</u>	<u>(259,502)</u>	<u>25,303,985</u>
Less accumulated depreciation				
Buildings	(984,376)	(173,987)		(1,158,363)
Infrastructure	(4,817,086)	(438,305)	13,672	(5,241,719)
Equipment	(662,594)	(71,399)	54,347	(679,646)
Total accumulated depreciation	<u>(6,464,056)</u>	<u>(683,691)</u>	<u>68,019</u>	<u>(7,079,728)</u>
Depreciable assets, net	<u>17,476,791</u>	<u>(101,515)</u>	<u>(11,764)</u>	<u>17,363,512</u>
Capital assets net	<u>\$ 18,458,185</u>	<u>\$ (42,445)</u>	<u>\$ (191,483)</u>	<u>\$ 18,224,257</u>

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

Governmental activities:	
General government	\$ 275,208
Public safety	38,674
Public works	<u>369,809</u>
Total depreciation expense for governmental activities	<u>\$ 683,691</u>

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 5 – RECEIVABLES

Receivables as of September 30, 2014, for the Town’s major funds are as follows:

	General Fund	Capital Projects Fund
Taxes receivable	\$ 53,795	\$
Due from other governments	36,407	
Accounts receivable - billed	10,400	
Interest receivable	4,098	
Other receivables	9,443	
Total receivables	114,143	
Less allowance for uncollectible accounts		
Net receivables	\$ 114,143	\$

NOTE 6 – LONG-TERM LIABILITIES

State Revolving Loan Fund

The State Revolving Loan Fund was initially obtained by the Town in 2002 in the amount of \$439,398 for planning and design for major drainage improvements. The loan was amended in 2004 to include an additional \$3,988,000 for construction, amended again in 2005 for additional construction funds of \$1,679,076 and amended again in 2006 for additional construction funds of \$900,343. The loan is payable from and secured by the Local Government Half-cent Sales Tax revenue, Florida Power and Light Franchise Tax revenue, Communications Service Tax revenue, and Utility Service Tax revenues received yearly. Principal and interest paid for the current fiscal year was \$467,944 and total pledged revenues were \$689,725. At September 30, 2014, principal and interest to maturity in 2025 to be paid from pledged future revenues totaled \$5,147,380. As of September 30, 2014, outstanding principal, including capitalized interest, was \$4,401,187. The loan bears interest of approximately 3%.

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 6 – LONG-TERM LIABILITIES (Continued)

State Revolving Loan Fund (Continued)

Estimated annual debt service requirements to maturity based on the outstanding balance on the loan as of September 30, 2014 are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 346,626	\$ 121,318	\$ 467,944
2016	356,440	111,504	467,944
2017	366,531	101,413	467,944
2018	376,909	91,035	467,944
2019	387,580	80,364	467,944
2020-2024	2,108,843	230,874	2,339,717
2025	<u>458,258</u>	<u>9,685</u>	<u>467,943</u>
	<u>\$ 4,401,187</u>	<u>\$ 746,193</u>	<u>\$ 5,147,380</u>

Bank of America Town Hall Promissory Note

The \$4,000,000 Bank of America Promissory Note was obtained in August 2007 for the purpose of constructing a new town hall. Interest only is due for the first twelve months in quarterly payments beginning November, 2007. Thereafter, interest and principal are due in quarterly payments through August 2027. The interest rate will be a variable rate calculated at the beginning of each month equal to the sum of 63.7% of the USD-LIBOR-BBA one month rate plus 0.80%. As of September 30, 2014, the interest rate was 0.89969%.

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 \$3,072,008 as of September 30, 2014.

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Interest Rate Swap (Continued)

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

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

Fair Value: As of September 30, 2014, the swap had a negative fair value of \$431,059 because interest rates have declined since the execution of the swap. The fair value increased \$38,490 during the fiscal year ended September 30, 2014 from a negative fair value of \$469,549 at September 30, 2013. 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.

Credit Risk: As of September 30, 2014, the Town was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the Town would be exposed to credit risk in the amount of the derivative's fair value. As of September 30, 2014, the long-term senior unsecured debt of Bank of America, N.A., the swap's counterparty, was rated A by Fitch Ratings, A by Standard & Poor's, and A2 by Moody's Investors Service.

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

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.

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Interest Rate Swap (Continued)

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, 2014 remain constant over the life of the loan.

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Variable Rate Interest</u>	<u>Interest Rate Swaps, Net</u>	<u>Net Cash Flows</u>
2015	\$ 179,680	\$ 27,416	\$ 104,075	\$ 311,171
2016	187,332	25,821	98,018	311,171
2017	196,002	24,013	91,156	311,171
2018	204,719	22,195	84,257	311,171
2019	213,823	20,298	77,050	311,171
2020-2024	1,220,090	70,008	265,758	1,555,856
2025-2027	870,362	13,167	49,985	933,514
Totals	<u>\$ 3,072,008</u>	<u>\$ 202,918</u>	<u>\$ 770,299</u>	<u>\$ 4,045,225</u>

Interest Expense

Total interest costs incurred and paid on all Town debt for the year ended September 30, 2014 was \$267,733 and \$269,991, respectively.

During the year ended September 30, 2014, the following changes occurred in long-term liabilities:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revolving Fund Loan	\$ 4,738,282	\$	\$ (337,095)	\$ 4,401,187	\$ 346,626
Bank of America Loan	3,244,037		(172,029)	3,072,008	179,680
OPEB	15,248	7,348	(2,609)	19,987	
Compensated absences	<u>73,234</u>	<u>140,478</u>	<u>(131,044)</u>	<u>82,668</u>	<u>33,067</u>
	<u>\$ 8,070,801</u>	<u>\$ 147,826</u>	<u>\$ (642,777)</u>	<u>\$ 7,575,850</u>	<u>\$ 559,373</u>

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 7 – FLORIDA RETIREMENT SYSTEM

Florida Retirement System

All full-time employees participate in the Florida Retirement System (FRS). The Florida Retirement System includes the Florida Retirement System Pension Plan, the Retiree Health Insurance Subsidy Program, and the Florida Retirement System Investment Plan.

Florida Retirement System Pension Plan - Defined Benefit

Plan Description

The Florida Retirement System Pension Plan is a cost sharing, multiple-employer, public retirement system controlled by the State Legislature and administered by the State of Florida Department of Administration, Division of Retirement. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. A post-employment health insurance subsidy is also provided to eligible employees through the Retiree Health Insurance Subsidy Program. Benefits are established by Chapter 121, Florida Statutes, and Chapter 22B, Florida Administrative Code. Amendments to the law can only be made by an act of the Florida Legislature.

The 2011 Florida Legislature made significant changes to the Florida Retirement System. Effective July 1, 2011, members of the Florida Retirement System are required to make 3 percent pre-tax employee contributions. Florida Retirement System Pension Plan members with an effective retirement date on or after August 1, 2011, and service credit earned on or after July 1, 2011, will have an individual post-retirement cost-of-living adjustment calculated as a reduction from 3 percent using only the proportion of their years of service before July 1, 2011, to their total years of service. Members initially enrolled on or after July 1, 2011, have:

- Vesting for benefits after eight years of service instead of six years.
- Retirement benefits calculated using the average of their highest eight years of salary instead of their highest five years.
- Normal retirement based on 35 years of service regardless of age or at age 65 and vested for all classes except Special Risk Class members who must have 30 years of service regardless of age or at age 60 and vested.
- No post-retirement cost-of-living adjustment.

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 7 – FLORIDA RETIREMENT SYSTEM (Continued)

Florida Retirement System Pension Plan – Defined Benefit (Continued)

Funding Policy

Effective July 1, 2002, the Florida Legislature established a uniform contribution rate system for the FRS. Participating employers and employees are required to make contributions based upon statewide contribution rates. The consulting actuary recommends rates based on the annual valuation, but actual contribution rates are established by the Florida Legislature. The contribution rates vary by job class. The contribution rates by job class for the Town’s employees for the fiscal year ended September 30, 2014, are as follows:

Class	10/01/13 through 06/30/14	07/01/14 through 09/30/14
Regular Class	9.95%	10.37%
Senior Management Service Class	21.31%	24.14%
Special Risk Class	22.06%	22.82%

These rates include a 3.00% employee contribution, a contribution for the Retiree Health Insurance Subsidy Program as discussed below, and an administrative fee of 0.03% for October through June and 0.04% for July through September.

The Town’s contributions to the Florida Retirement System Pension Plan for the fiscal years ending September 30, 2012 through 2014 were equal to 100% of the required contributions for each fiscal year. The contributions are summarized below

	2012	2013	2014
Employer	\$ 96,354	\$ 116,435	\$ 147,840
Employee	28,111	28,080	28,817
Total	<u>\$ 124,465</u>	<u>\$ 144,515</u>	<u>\$ 176,657</u>

The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the Florida Retirement System Pension Plan. The report may be obtained by writing to the State of Florida Division of Retirement, P.O. Box 9000, Tallahassee, FL 32315-9000; or e-mailing Research & Education at rep@dms.MyFlorida.com, or calling toll free at 877-377-1737.

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 7 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy Program

Plan Description

The Retiree Health Insurance Subsidy Program (HIS) is a cost-sharing multiple-employer defined benefit plan. Benefit provisions are established under Chapter 112.363, Florida Statutes, which may be amended by the Florida Legislature. The HIS benefit is a monthly supplemental payment that Florida Retirement System retirees, eligible terminated Investment Plan members, and other state-administered retirement system retirees may be eligible to receive if they have health insurance coverage – which includes Medicare, TriCare, and insurance coverage provided through the Cover Florida Health Care Access Program. Payment of this benefit is not automatic, it must be applied for and the application approved before payment begins.

The amount of the monthly payment is calculated by multiplying the member's total years of creditable service at retirement (up to a maximum of 30 years) by \$5. The minimum monthly HIS payment is \$30 and the maximum monthly payment is \$150. The HIS payment is included in the same payment as the retiree's monthly retirement benefit if a defined benefit plan retiree.

Funding Policy

The State's current funding policy for the HIS is pay-as-you-go and provides for monthly employer contributions. The contribution rate was 1.20% of annual covered payroll for October 2013 through June 2014 and 1.26% for July 2014 through September 2014. The consulting actuary recommends rates based on the valuations performed every two years, but the actual contribution rates are established by the Florida Legislature.

The Town's contributions to the Retiree Health Insurance Subsidy Program for the fiscal years ending September 30, 2012 through 2014 were \$14,885, \$15,229, and \$17,047 respectively, which were equal to 100% of the required contributions for each fiscal year.

The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the Retiree Health Insurance Subsidy Program. The report may be obtained by writing to the State of Florida Division of Retirement, P.O. Box 9000, Tallahassee, FL 32315-9000; or e-mailing Research & Education at rep@dms.MyFlorida.com, or calling toll free at 877-377-1737.

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 7 – FLORIDA RETIREMENT SYSTEM (Continued)

Florida Retirement System Investment Plan – Defined Contribution

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.

Funding Policy.

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, 2014, are as follows:

Class	10/01/13 through 06/30/14	07/01/14 through 09/30/14
Regular Class	9.95%	10.37%
Senior Management Service Class	21.31%	24.14%
Special Risk Class	22.06%	22.82%
DROP	12.84%	12.28%

These rates include a 3.00% employee contribution, a contribution for the Retiree Health Insurance Subsidy Program as discussed above, and an administrative fee of 0.03% for October through June and 0.04% for July through September. The Town’s total payroll for the year ended September 30, 2014 was \$1,508,066 and payroll for employees covered by the Plan was \$286,908. The Town and the covered employees made the required contributions of \$46,798 and \$8,607, respectively.

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

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 8 – DEFERRED COMPENSATION PLAN (Continued)

established and maintained by governmental employers be amended to provide that all assets of the plan be held in trust, or under one or more appropriate annuity contracts or custodial accounts, for the exclusive benefit of plan participants and their beneficiaries. As a result of this change, plan assets are no longer subject to the claims of the Town's general creditors.

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

NOTE 9 – INTERLOCAL AGREEMENTS

Interlocal Fire and EMS Service Agreement with the City of Boynton Beach

On May 4, 2004, the Town entered into an agreement with the City of Boynton Beach whereby the City of Boynton Beach will provide the Town with fire rescue and emergency medical services. The term of the agreement is for 12 years beginning on October 1, 2004, and extending through September 30, 2016. The annual service fee the Town paid under the agreement was \$941,316 in the current fiscal year. The annual service fees for future years will be the current year fee adjusted annually based on the "All Urban Customers – United States May Consumer Price Index" or an increase of 4%, whichever is greater. The cost for the fiscal year ending September 30, 2015, will be \$978,969 based on the 4% minimum increase.

Interlocal Agreement for Law Enforcement Services

On October 1, 2013, 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. The term of the agreement is for 3 years beginning October 1, 2013 and extending through September 30, 2016. The annual service fee the Town received was \$203,515 in the current fiscal year. The annual service fees for future years shall be adjusted effective October 1 of each year by the annual Consumer Price Index – United States All Items for Urban Consumers as published by the Bureau of Labor Statistics of the U.S. Department of Labor, plus 1.5%.

NOTE 10 – RISK MANAGEMENT

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

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 10 – RISK MANAGEMENT (Continued)

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 is for a three year term and expires on August 1, 2015. 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, 2014, the Town incurred costs of \$137,818 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 lease for an additional five year term ending September 30, 2019. Under the terms of the agreement, the Town pays an established rate per month per unit picked up curbside or containerized. Republic bills the Town monthly for services provided. For the year ended September 30, 2014, the Town made payments of \$237,694 pursuant to the agreement.

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

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 11 – COMMITMENTS (Continued)

Construction Commitment

At September 30, 2014, the Town had the following commitment for construction projects.

Project	Amount
Eleuthera Drive Paving & Drainage Improvements	\$ 131,923

Encumbrances

At September 30, 2014, the Town had encumbrances of \$695 in the General Fund.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

The Town implemented Governmental Accounting Standards Board Statement 45 (GASB 45), Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, effective October 1, 2009. The Town elected to implement prospectively, and the change in accounting principle had no effect on changes in net position/fund equity for prior periods. Retirees of the Town pay an amount equal to the actual premium for health insurance charged by the carrier, but there is an implied subsidy in the healthcare insurance premium for retirees because the premium charged for these retirees is the same as the premium charged for active employees, who are younger than retirees on average. This implied subsidy constitutes other postemployment benefits (OPEB) under GASB 45.

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 normal retirement age for Town employees is age 60. The benefits of the plan are in accordance with Florida Statutes, which are the legal authority for the plan. The plan has no assets and does not issue a separate financial report.

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy

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.

Annual OPEB Cost and Net OPEB Obligation

The Town’s annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC). The Town has elected to calculate the ARC and related information using the Alternative Measurement Method permitted under GASB Statement No. 45 for employers with plans that have fewer than 100 total members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The annual OPEB cost and the net OPEB obligation for the Town for the current year and the related information are as follows:

Required contribution rate - employer	Pay-as-you-go
Required contribution rate - plan members	N/A
Annual required contribution	\$ 7,530
Interest on net OPEB obligation	686
Adjustment to annual required contribution	<u>(868)</u>
Annual OPEB cost	7,348
Estimated net contributions made	<u>(2,609)</u>
Increase in net OPEB obligation	4,739
Net OPEB obligation October 1, 2013	<u>15,248</u>
Net OPEB obligation September 30, 2014	<u>\$ 19,987</u>

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Trend Information

Three-Year Trend Information			
Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/12	\$ 5,626	43.5%	\$ 10,596
09/30/13	\$ 8,289	43.9%	\$ 15,248
09/30/14	\$ 7,348	35.5%	\$ 19,987

Funded Status

The funded status of the plan as of most recent actuarial valuation date was as follows:

Actuarial valuation date	October 1, 2012
Actuarial accrued liability	\$ 37,093
Actuarial value of plan assets	\$
Unfunded actuarial accrued liability (UAAL)	\$ 37,093
Funded ratio	0.0%
Covered payroll	\$ 1,457,691
UAAL as a percentage of covered payroll	2.5%

Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information following the notes to the financial statements, will present multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Because the fiscal year ended September 30, 2010 was the year of implementation of GASB 45 and the Town elected to apply the statement prospectively, only two years is presented in the schedule at this time. The Town is required to have an actuarial valuation every three years. The next valuation is scheduled for October 1, 2015. In future years, required trend data will be presented.

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Town and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial valuation date	October 1, 2012
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll
Amortization period	30 year closed period
Asset valuation method	Unfunded
Actual assumptions:	
Discount rate	4.5%
Healthcare cost trend	7.5% for 2014 decreasing to 4.5% in 2017

NOTE 13 – OPERATING LEASE

In June 2012, the Town entered into an operating lease for a copier for use in Town Hall. The lease is for a term of 60 months and requires minimum monthly payments of \$254 that commenced in August 2012. For the year ended September 30, 2014, the Town made payments of \$3,052 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>
2015	\$ 3,052
2016	3,052
2017	<u>2,543</u>
	<u>\$ 8,647</u>

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Financial Statements
September 30, 2014

NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note 1, the Town implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* during the current fiscal year. The cumulative effect of applying GASB 65 has been reported as a restatement of the beginning net position of the governmental activities on the entity-wide financial statements. A reconciliation of the prior period ending net position to the current period beginning net positions is as follows.

	<u>Governmental Activities</u>
Balance at September 30, 2013, as reported	\$ 13,925,388
Adjustment to write-off loan issuance costs	<u>(2,925)</u>
Balance at September 30, 2013, as restated	<u>\$ 13,922,463</u>

Adoption of this new accounting principle had no effect on the change in net position for the current year.

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, 2014

	Original Adopted Budget	Final Revised Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 3,751,918	\$ 3,751,918	\$ 3,749,922	\$ (1,996)
Utility service taxes	342,500	342,500	390,145	47,645
Gasoline taxes	49,000	49,000	50,972	1,972
Sales taxes	127,000	127,000	132,075	5,075
Local business tax	2,000	2,000	2,509	509
Electric franchise fee	160,000	160,000	167,505	7,505
State shared revenues	39,150	39,150	40,757	1,607
Local shared revenues	53,000	53,000	40,709	(12,291)
Licenses and permits	145,150	145,150	274,604	129,454
Fines and forfeitures	12,400	12,400	101,094	88,694
Charges for services	572,580	572,580	581,465	8,885
Interest	18,500	18,500	31,048	12,548
Grants			1,000	1,000
Contributions			8,953	8,953
Miscellaneous	11,600	11,600	5,882	(5,718)
Total revenues	<u>5,284,798</u>	<u>5,284,798</u>	<u>5,578,640</u>	<u>293,842</u>
Expenditures				
Town commission	19,694	19,694	19,206	488
Town manager	138,619	138,619	136,465	2,154
Town clerk/finance	280,194	280,194	271,522	8,672
Legal	110,000	123,000	121,556	1,444
Appointed boards	6,000	6,000	2,672	3,328
General government	977,730	977,730	957,448	20,282
Public safety	3,135,361	3,114,900	2,870,784	244,116
Building and zoning	112,500	176,274	175,754	520
Solid waste	245,000	245,000	237,694	7,306
Environmental	217,300	230,283	223,357	6,926
Public works	245,358	252,825	228,226	24,599
Contingency	51,770	11,781		11,781
Total expenditures	<u>5,539,526</u>	<u>5,576,300</u>	<u>5,244,684</u>	<u>331,616</u>
Excess (deficiency) of revenues over (under) expenditures	(254,728)	(291,502)	333,956	625,458
Other financing sources (uses)				
Proceeds from sale of capital assets	11,500	11,500	7,500	(4,000)
Transfers out	(100,000)	(300,000)	(300,000)	
Total other financing sources (uses)	<u>(88,500)</u>	<u>(288,500)</u>	<u>(292,500)</u>	<u>(4,000)</u>
Net change in fund balances	<u>\$ (343,228)</u>	<u>\$ (580,002)</u>	41,456	<u>\$ 621,458</u>
Fund balance, beginning of year			<u>3,358,453</u>	
Fund balance, end of year			<u>\$ 3,399,909</u>	

TOWN OF OCEAN RIDGE, FLORIDA
Notes to the Budgetary
Required Supplementary Information (RSI)
General Fund
September 30, 2014

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 24. 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, 2014, there were no departments that had an excess of expenditures over appropriations.

TOWN OF OCEAN RIDGE
Required Supplementary Information (RSI)
Schedule of Funding Progress
Other Postemployment Benefits
For the Fiscal Year Year Ended September 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age(1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/1/2009	\$	\$ 29,461	\$ 29,461	0.0%	\$ 1,515,282	1.9%
10/1/2012	\$	\$ 37,093	\$ 37,093	0.0%	\$ 1,457,691	2.5%

The schedule of funding progress presented above will present multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The Town implemented GASB 45 during the fiscal year ended September 30, 2010, and elected to apply the statement prospectively. Consequently there are no disclosures for prior years. The Town is required to have an actuarial valuation every three years. The next valuation is scheduled for October 1, 2015. In future years, required trend data will be presented.



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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, 2014, 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 January 26, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Ocean Ridge, Florida’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Ocean Ridge, Florida’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Ocean Ridge, Florida’s internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Nowlen, Holt & Mimer, P.A.

West Palm Beach, Florida
January 26, 2015



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

The Honorable Mayor and Members 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, 2014, and have issued our report thereon dated January 26, 2015.

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 Reports

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*, Section 601, regarding compliance requirements in accordance with Chapter 10.5550, Rules of the Auditor General. Disclosures in those reports, which are dated January 26, 2015, 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 annual financial audit report. There were no findings or recommendations in the prior year that required corrective actions.

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 is disclosed in Note 1 to the financial statements.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the Town of Ocean Ridge, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of 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.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. 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 the 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.

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the Town of Ocean Ridge, Florida for the fiscal year ended September 30, 2014, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2014. In connection with our audit, we determined that the two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d, Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided 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.

Based on the application of criteria in publications cited in Section 10.553, Rules of the Auditor General, there are no special district component units of the Town of Ocean Ridge, Florida.

Other Matters

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

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Single Audits

The Town expended less than \$500,000 of federal awards and less than \$500,000 of state financial assistance for the year ended September 30, 2014, and was not required to have a federal single audit or a state single audit.

Response to Management Letter

There were no items that required a response by management.

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 state awarding agencies, pass-through entities, management of the Town of Ocean Ridge, and members of the Town Commission, and is not intended to be and should not be used by anyone other than these specified parties.

Nowlen, Holt & Mimer, P.A.

West Palm Beach, Florida
January 26, 2015



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, 2014. Management is responsible for the Town of Ocean Ridge, Florida’s compliance with those requirements. Our responsibility is to express an opinion on the Town of Ocean Ridge, Florida’s compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Town of Ocean Ridge, Florida’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Town of Ocean Ridge, Florida’s compliance with specified requirements.

In our opinion, the Town of Ocean Ridge, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representative, 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
January 26, 2014