



# **TOWN OF OCEAN RIDGE, FLORIDA**

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

**FISCAL YEAR ENDED SEPTEMBER 30, 2015**



TOWN OF OCEAN RIDGE, FLORIDA  
SEPTEMBER 30, 2015

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TOWN OF OCEAN RIDGE, FLORIDA  
SEPTEMBER 30, 2015

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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, 2015, 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.

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## ***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, 2015, 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 provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date – an Amendment of GASB No. 68*, during the fiscal year ended September 30, 2015. The net position of the governmental activities as of October 1, 2014 has been restated. Our opinions are not modified with respect to this matter.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 8, the budgetary comparison data on pages 55 and 56, the Schedule of Funding Progress - Other Postemployment Benefits on page 56, and pension schedules on pages 58 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2016, 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 & Mimes, P.A.*

West Palm Beach, Florida  
May 3, 2016

TOWN OF OCEAN RIDGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2015

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, 2015. 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 \$13,281,070 (net position) compared to last year when assets exceeded liabilities by \$12,646,076 (restated for implementation of GASB 68). The net position at the end of 2015 included \$2,332,279 in unrestricted net position.
- The government activities revenues were \$5,954,924 at the close of fiscal year 2015.
- The Town's total expenses were \$5,319,930 during the fiscal year 2015.
- Total expenditures were \$5,581,529 during fiscal year 2015, of which the following projects were completed: \$165,865 was expended to complete the Eleuthera Drive Paving and Drainage project; \$5,909 was expended for the Hudson & Ocean Avenues Alleyway; \$91,968 was expended on Inlet Cay and Sabal Island Bridges, with an additional \$9,580 spent for Inlet Cay valley gutters repair; \$7,995 spent on study engineering for Force Main exploration near Villas of Ocean Ridge; and \$12,738 was spent on the repaving of Adams Road (a 50/50 split with a townhouse project developer on the road). Portions of these projects were funded through monies transferred from the General Fund.
- At the end of the 2015 fiscal year, the unassigned fund balance for the general fund was \$2,858,728 or 73% 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 2015 is \$13,281,070. This is a \$634,994 increase over last year's net position of \$12,646,076.

**Summary of Net Position  
Total Primary Government**

	<b>2014 (1)</b>	<b>2015</b>
Current Assets	\$ 3,809,781	\$ 4,200,012
Capital Assets	18,224,257	17,836,215
<b>Total Assets</b>	<b>22,034,038</b>	<b>22,036,227</b>
<b>Deferred Outflows of Resources</b>	<b>565,674</b>	<b>712,841</b>
Current Liabilities	159,511	173,941
Non-current liabilities	8,874,276	8,903,101
<b>Total Liabilities</b>	<b>9,033,787</b>	<b>9,077,042</b>
<b>Deferred Inflows of Resources</b>	<b>919,849</b>	<b>390,956</b>
Net Investment in Capital Assets	10,751,062	10,882,823
Restricted for Debt Service	64,940	65,968
Unrestricted	1,830,074	2,332,279
<b>Total Net Position</b>	<b>\$ 12,646,076</b>	<b>\$ 13,281,070</b>

*(1) Restated for implementation of GASB 68*

## ***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>2014 (1)</u>	<u>2015</u>
<b><u>Revenues:</u></b>		
Program Revenues:		
Charges for Services	\$ 959,672	\$ 1,075,070
Operating grants and contributions	9,953	17,524
Capital grants and contributions		3,443
General Revenues:		
Property Taxes	3,749,922	3,963,078
Other Taxes	608,622	615,469
Intergovernmental	220,632	225,345
Investment earnings	26,691	29,996
Other	25,219	24,999
<b>Total Revenues</b>	<u>5,600,711</u>	<u>5,954,924</u>
<b><u>Expenses:</u></b>		
General Government	978,302	1,049,994
Public Safety	2,761,480	2,745,264
Public Services	636,805	649,250
Public Works	588,635	624,811
Other	267,731	250,611
<b>Total Expenses</b>	<u>5,232,953</u>	<u>5,319,930</u>
Increase in net position	367,758	634,994
Net Position, beginning (1)	12,278,318	12,646,076
Net Position, ending	<u>\$ 12,646,076</u>	<u>\$ 13,281,070</u>

*(1) Restated for implementation of GASB 68*

The Town implemented Governmental Accounting Standard Boards (“GASB”) Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* in 2015. These Statements require the Town to recognize a net pension liability, deferred outflows of resources (including pension contributions made after the measurement date) and deferred inflows of resources for its participation in the Florida Retirement System, a cost-sharing multiple-employer defined benefit pension plan, on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e. the statement of net position) and presents more extensive note disclosures. The adoption of these Statements had no impact on the Town’s governmental fund financial statements, which continue to report expenditures in the amount of the contractually required contributions. However, the adoption has resulted in the restatement of the Town’s net position as of July 1, 2014 for its governmental activities to reflect the reporting of net pension liabilities, deferred outflows of resources, and deferred inflows of resources for each of its qualified pension plans in accordance with the provisions of these Statements. As of October 1, 2014, the net position of the Town’s governmental activities was decreased by \$1,644,145, reflecting the cumulative change in accounting principle related to the adoption of these Statements. See Note 7 to the financial statements for more information regarding the Town’s retirement plans.

***General Fund Budgetary Highlights***

Actual expenditures during 2015 were \$555,817 less than budgeted expenditures and actual revenues were \$390,891 more than budgeted amounts, which led to a \$674,050 excess of revenues over expenditures. A \$150,000 transfer was made to the Capital Projects Fund. The overall increase in the Fund Balance was \$525,050.

***Capital Asset and Debt Administration***

Capital Assets

At the end of the fiscal year 2015, 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>2014</u>	<u>2015</u>
Land	\$ 801,675	\$ 801,675
Construction in Progress	59,070	16,287
Buildings	5,333,349	5,333,349
Equipment	1,071,819	1,104,027
Infrastructure	18,038,072	18,357,987
	<u>25,303,985</u>	<u>25,613,325</u>
Less Accumulated Depreciation	7,079,728	7,777,110
<b>TOTALS</b>	<u>\$ 18,224,257</u>	<u>\$ 17,836,215</u>

## Debt and Long-Term Liabilities

As of September 30, 2015, the Town had long-term liabilities of \$4,054,552 owed to the Florida Department of Environmental Protection as part of the State Revolving Loan, a federal program with state match, \$2,892,328 owed to Bank of America for a promissory note, \$83,740 in compensated absences, and \$24,675 in other postemployment benefits. There's also a Net Pension Liability of \$1,388,496.

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

### **Summary of Long-Term Liabilities**

	<u>2014 (1)</u>	<u>2015</u>
State Revolving Fund Loan	\$ 4,401,187	\$ 4,054,552
Bank of America Promissory Note	3,072,008	2,892,328
Net Pension Liability	867,367	1,388,496
OPEB	19,987	24,675
Compensated Absences	82,668	83,740
	<u>\$ 8,443,217</u>	<u>\$ 8,443,791</u>

*(1) Restated for implementation of GASB 68*

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

The 2016 fiscal year, general fund revenue projections have been comparable to previous years.

- The General Fund Budget will require unappropriated funds to balance. This includes proposed transfers to Capital Projects.
- This year's preliminary budget maintains a millage rate of 5.350, a 5.34% increase over rolled back rate. The reduction in property values over several years resulted in an annual loss of revenue of about \$740,000; hence the Town has to recoup its fiscal capacity over time.
- The cost for no-see-um spraying is \$65,000, an increase due mostly to the increase in homes serviced which added to the manpower and materials sprayed.
- The Town has \$7,006,817 in State Revolving Fund Loan monies for the various stormwater drainage improvements. The term of the loan is for 20-years with semi-annual payments. The yearly payment amount is \$467,943.68 made in two (2) payments.
- A 3 year contract with the Police Union will be in effect through September, 2017. The proposed budget includes salaries and benefits approved in the contract which was extended to all employees per Commission direction. A reopener will occur for the final year pay.
- The police budget has \$136,992 in requests for capital items. These are detailed in the budget document. The major items include \$117,000 for three new fully equipped cars and \$9,247 for an ATV. There is also \$80,000 for the first half of a new radio system outlined in the Capital Project Fund above.
- We are in the second year of a three year agreement with the Town of Briny Breezes to provide Police Services at a fee of \$213,145 for this year.
- Boynton Beach Fire Department provides Fire services and Emergency Medical Services (EMS) to the Town. The cost for 2015/'16 will be \$1,018,128 based on a 4.0% minimum increase per the contract. This contract expires in September 2016.

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

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

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Statement of Net Position**  
**September 30, 2015**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,415,206
Investments	2,517,321
Accounts receivable (net)	148,608
Prepays	40,886
Restricted cash and cash equivalents	77,991
Capital assets	
Non-depreciable	817,962
Depreciable (net of depreciation)	17,018,253
Total assets	22,036,227
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related items	253,531
Accumulated decrease in fair value - interest rate swap	459,310
Total deferred outflows of resources	712,841
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	53,385
Accrued payroll	87,386
Accrued interest payable	21,147
Accrued interest payable from restricted assets	12,023
Non-current liabilities	
Interest rate swap	459,310
Due within one year	577,266
Due in more than one year	7,866,525
Total liabilities	9,077,042
<b>DEFERRED INFOWS OF RESOURCES</b>	
Pension related items	381,741
Unearned revenue	9,215
Total deferred inflows of resources	390,956
<b>NET POSITION</b>	
Net investment in capital assets	10,882,823
Restricted for debt service	65,968
Unrestricted	2,332,279
Total net position	\$ 13,281,070

See notes to the financial statements

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Statement of Activities**  
**For the Fiscal Year Ended September 30, 2015**

Function / Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities					
General government	\$ 1,049,994	\$ 339,413	\$ 7,543	\$ 2,748	\$ (700,290)
Public safety	2,745,264	431,316	1,000	695	(2,312,253)
Public works	649,250		8,981		(640,269)
Public services	624,811	304,341			(320,470)
Interest on long term debt	250,611				(250,611)
<b>Total governmental activities</b>	<b>5,319,930</b>	<b>1,075,070</b>	<b>17,524</b>	<b>3,443</b>	<b>(4,223,893)</b>
General revenues					
Property taxes					3,963,078
Utility service taxes					396,012
Franchise taxes					165,337
Gasoline taxes					54,120
State shared revenues - unrestricted					184,121
Local shared revenues - unrestricted					41,224
Interest income					29,996
Net increase in fair value of investments					23,431
Gain on disposal of assets					1,000
Miscellaneous					568
<b>Total general revenues</b>					<b>4,858,887</b>
Change in net position					634,994
Net position, beginning of year as restated					12,646,076
Net position, end of year					<u>\$ 13,281,070</u>

See notes to the financial statements

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2015**

	General	Capital Projects	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,273,577	\$ 141,629	\$ 1,415,206
Investments	2,517,321		2,517,321
Accounts receivable (net)	148,608		148,608
Prepaid items	40,886		40,886
Restricted cash and cash equivalents	77,991		77,991
Total assets	\$ 4,058,383	\$ 141,629	\$ 4,200,012
<b>LIABILITIES</b>			
Accounts payable	\$ 35,302	\$ 18,083	\$ 53,385
Accrued payroll	87,386		87,386
Total liabilities	122,688	18,083	140,771
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenue	9,215		9,215
Unavailable revenue	1,521		1,521
Total deferred inflows of resources	10,736		10,736
<b>FUND BALANCES</b>			
Non-Spendable:			
Prepays	40,886		40,886
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	302,354		302,354
Capital projects		123,546	123,546
Unassigned	2,858,728		2,858,728
Total fund balances	3,924,959	123,546	4,048,505
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,058,383	\$ 141,629	\$ 4,200,012

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, 2015**

Fund balances total governmental funds \$ 4,048,505

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	\$ 25,613,325	
Less accumulated depreciation	<u>(7,777,110)</u>	17,836,215

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

Unavailable revenue		1,521
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Long-term liabilities, including notes and bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

Compensated absences	(83,740)	
Loans payable	(6,946,880)	
Net pension liability	(1,388,496)	
Other postemployment benefits	(24,675)	
Accrued interest on long-term debt	<u>(33,170)</u>	(8,476,961)

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

Pension related deferred outflows	253,531	
Pension related deferred inflows	<u>(381,741)</u>	<u>(128,210)</u>

Net position of governmental activities		<u>\$ 13,281,070</u>
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See notes to the financial statements

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Governmental Funds**  
**For the Fiscal Year Ended September 30, 2015**

	General	Capital Projects	Total
<b>REVENUES</b>			
Property taxes	\$ 3,963,078	\$	\$ 3,963,078
Utility service taxes	396,012		396,012
Gasoline taxes	54,120		54,120
Sales taxes	139,017		139,017
Local business tax	2,666		2,666
Electric franchise fee	165,337		165,337
State shared revenues	43,396		43,396
Local shared revenues	46,282		46,282
Licenses and permits	284,354		284,354
Grants	1,000		1,000
Fines and forfeitures	163,233		163,233
Charges for services	624,817		624,817
Interest	29,958	38	29,996
Increase in fair value	23,431		23,431
Contributions	7,543	9,600	17,143
Miscellaneous	11,769		11,769
Total revenues	5,956,013	9,638	5,965,651
<b>EXPENDITURES</b>			
Current			
General government	791,506		791,506
Public safety	2,798,650		2,798,650
Public works	219,839	37,827	257,666
Public services	624,811		624,811
Debt service			
Principal	526,315		526,315
Interest	252,953		252,953
Capital outlay	67,889	261,739	329,628
Total expenditures	5,281,963	299,566	5,581,529
Excess (deficiency) of revenues over expenditures	674,050	(289,928)	384,122
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of capital assets	1,000		1,000
Transfers in		150,000	150,000
Transfers out	(150,000)		(150,000)
Total other financing sources (uses)	(149,000)	150,000	1,000
Net change in fund balances	525,050	(139,928)	385,122
Fund balances, beginning of year	3,399,909	263,474	3,663,383
Fund balances, end of year	\$ 3,924,959	\$ 123,546	\$ 4,048,505

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, 2015**

Net change in fund balances - total governmental funds \$ 385,122

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	\$ 329,944	
Less: current year depreciation	<u>(718,681)</u>	(388,737)

Capital assets donated to the Town		695
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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		526,315
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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		(12,422)
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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	2,342	
Increase in compensated absences payable	(1,072)	
Increase in other postemployment benefits	(4,688)	
Change in net pension liability and related deferred amounts	<u>127,439</u>	<u>124,021</u>

Change in net position		<u><u>\$ 634,994</u></u>
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See notes to the financial statements

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2015**

**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, 2015**

**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, 2015**

**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, 2015**

**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 are reported in the government-wide financial statements and include plant, property, equipment, and infrastructure assets (i.e., roads, bridges, and sidewalks). These 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, 2015**

**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, 2015**

**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.

*Deferred Outflows of Resources and Deferred Inflows of Resources*

The statement of net position will sometimes include a separate section for deferred outflows of resources. This financial statement element represents a consumption of net position applicable to future periods and will not be recognized as expenditures until the future period(s).

The statement of net position will sometimes include a separate section for deferred inflows of resources. This financial statement element represents the acquisition of net position applicable to future periods and will not be recognized as revenue until the future period(s).

*Interfund Transactions*

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

*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:

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2015**

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

*Fund Balances* (Continued)

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

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2015**

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

*Fund Balances* (Continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the Town's policy to reduce restricted amounts first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the Town's policy to reduce committed amounts first, followed by assigned amounts, then unassigned amounts.

*Net Position*

Net position is the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets plus deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net position is displayed in the following three components:

1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position – Consists of net position with constraints placed on the use either by: (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
3. Unrestricted net position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

*Budgetary Data*

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

*Property Taxes*

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

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2015**

**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, 2015 was 5.3500 (\$5.3500 for each \$1,000 of assessed valuation).

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

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

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

*Use of Estimates*

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

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2015**

**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, 2015.

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. The cumulative effect of applying this statement is required to be reported as a restatement of beginning net position. See Note 14.

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.

*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 February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value of certain investments and disclosures related to all fair value measurements. This Statement is effective for the fiscal year ending September 30, 2016.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. Certain sections of this Statement are effective for the fiscal year ending September 30, 2016 and the remaining sections are effective for the fiscal year ending September 30, 2017.

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2015**

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

*Recently Issued Accounting Pronouncements* (Continued)

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement improves the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local government OPEB plans for making decisions and assessing accountability. This Statement is effective for the fiscal year ending September 30, 2017.

In June 2015 the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for the fiscal year ending September 30, 2018.

In June 2015 the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement identifies – in the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles. This Statement is effective for the fiscal year ending September 30, 2016.

In August 2015 the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement improves financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. This Statement is effective for the fiscal year ending September 30, 2017.

In December 2015 the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement is effective for the fiscal year ending September 30, 2017.

In December 2015 the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement establishes criteria for an external investment pool to qualify for making an election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective for the fiscal year ending September 30, 2017.

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2015**

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

*Recently Issued Accounting Pronouncements* (Continued)

In March 2016, the GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement is effective for the fiscal year ending September 30, 2017. Earlier application is encouraged.

**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, 2015**

**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, 2015, the bank balance of the Town's deposits was \$2,168,047 and the carrying amount was \$1,993,047, which includes a certificate of deposit of \$500,000 reported as investments. The Town also had \$150 in petty cash for a total carrying amount of \$1,993,197.

*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, 2015, the Town reported the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificate of Deposit	190 days	\$ 500,000
U.S. Treasury Note	0.62 years	500,446
U.S. Treasury Note	1.46 years	501,706
U.S. Treasury Note	2.92 years	508,477
U.S. Treasury Note	3.67 years	506,692
		<u>\$ 2,517,321</u>

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2015**

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

*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, 2015, all the Town's investments were insured or collateralized.

**NOTE 4 – CAPITAL ASSETS**

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

<b>Governmental activities:</b>	
General government	\$ 267,056
Public safety	58,353
Public works	<u>393,272</u>
<b>Total depreciation expense for governmental activities</b>	<u>\$ 718,681</u>

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2015**

**NOTE 4 – CAPITAL ASSETS** (Continued)

Capital asset activity for the year ended September 30, 2015, 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	59,070	277,132	(319,915)	16,287
<b>Total non-depreciable assets</b>	<u>860,745</u>	<u>277,132</u>	<u>(319,915)</u>	<u>817,962</u>
Capital assets being depreciated				
Building	5,333,349			5,333,349
Infrastructure	18,038,072	319,915		18,357,987
Equipment	1,071,819	53,507	(21,299)	1,104,027
<b>Total depreciable assets</b>	<u>24,443,240</u>	<u>373,422</u>	<u>(21,299)</u>	<u>24,795,363</u>
<b>Total capital assets</b>	<u>25,303,985</u>	<u>650,554</u>	<u>(341,214)</u>	<u>25,613,325</u>
Less accumulated depreciation				
Buildings	(1,158,363)	(174,336)		(1,332,699)
Infrastructure	(5,241,719)	(452,788)		(5,694,507)
Equipment	(679,646)	(91,557)	21,299	(749,904)
<b>Total accumulated depreciation</b>	<u>(7,079,728)</u>	<u>(718,681)</u>	<u>21,299</u>	<u>(7,777,110)</u>
<b>Depreciable assets, net</b>	<u>17,363,512</u>	<u>(345,259)</u>		<u>17,018,253</u>
<b>Capital assets, net</b>	<u>\$ 18,224,257</u>	<u>\$ (68,127)</u>	<u>\$ (319,915)</u>	<u>\$ 17,836,215</u>

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2015**

**NOTE 5 – RECEIVABLES**

Receivables as of September 30, 2015, for the Town’s major funds are as follows:

	General Fund	Capital Projects Fund
Taxes receivable	\$ 68,643	\$
Due from other governments	37,726	
Accounts receivable - billed	5,134	
Interest receivable	5,025	
Other receivables	32,080	
Total receivables	148,608	
Less allowance for uncollectible accounts	_____	_____
Net receivables	\$ 148,608	\$

**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 \$700,366. At September 30, 2015, principal and interest to maturity in 2025 to be paid from pledged future revenues totaled \$4,679,437. As of September 30, 2015, outstanding principal, including capitalized interest, was \$4,054,552. The loan bears interest of approximately 3%.

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2015**

**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, 2015 are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 356,438	\$ 111,506	\$ 467,944
2017	366,530	101,414	467,944
2018	376,907	91,037	467,944
2019	387,579	80,365	467,944
2020	398,552	69,392	467,944
2021-2025	<u>2,168,546</u>	<u>171,171</u>	<u>2,339,717</u>
	<u>\$ 4,054,552</u>	<u>\$ 624,885</u>	<u>\$ 4,679,437</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, 2015, the interest rate was 0.92294%.

*Interest Rate Swap*

**Terms and Objectives:** In an effort to lower its borrowing costs when compared against fixed rate loans at the time of issuance, the Town issued the \$4,000,000 variable rate Bank of America Promissory Note and entered into a corresponding pay fixed rate swap agreement. The objective of the swap is to change the Town’s variable rate loan into a synthetic fixed rate instrument. Based on the swap agreement, the Town pays a fixed rate of 4.315% to the counterparty of the swap, based on the notational amount. In return, the counterparty pays interest based on an applicable rate that is equal to 63.7% of the USD-LIBOR-BBA one month rate plus 0.80%. The loan principal is not exchanged; it is only the basis on which the interest payments are calculated. The effective date of the swap was September 1, 2007 and the termination date is August 1, 2027. The notational amount of the swap is the same as the principal amount of the loan. The notational amount was \$4,000,000 at the effective date of the swap and \$2,892,328 as of September 30, 2015.

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2015**

**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, 2015, the swap had a negative fair value of \$459,310 because interest rates have declined since the execution of the swap. The fair value decreased \$28,251 during the fiscal year ended September 30, 2015 from a negative fair value of \$431,059 at September 30, 2014. 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, 2015, 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, 2015, 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, 2015**

**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, 2015 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>
2016	\$ 187,332	\$ 26,488	\$ 97,351	\$ 311,171
2017	196,002	24,634	90,535	311,171
2018	204,719	22,769	83,683	311,171
2019	213,823	20,822	76,526	311,171
2020	223,092	18,839	69,240	311,171
2021-2025	1,274,591	60,160	221,105	1,555,856
2026-2027	592,769	6,326	23,248	622,343
<b>Totals</b>	<b><u>\$ 2,892,328</u></b>	<b><u>\$ 180,038</u></b>	<b><u>\$ 661,688</u></b>	<b><u>\$ 3,734,054</u></b>

*Interest Expense*

Total interest costs incurred and paid on all Town debt for the year ended September 30, 2015 was \$250,611 and \$252,953, respectively.

During the year ended September 30, 2015, 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	\$ 4,401,187	\$	\$ (346,635)	\$ 4,054,552	\$ 356,438
Bank of America Loan	3,072,008		(179,680)	2,892,328	187,332
Net pension liability	867,367	521,129		1,388,496	
OPEB	19,987	7,561	(2,873)	24,675	
Compensated absences	82,668	167,205	(166,133)	83,740	33,496
	<b><u>\$ 8,443,217</u></b>	<b><u>\$ 695,895</u></b>	<b><u>\$ (695,321)</u></b>	<b><u>\$ 8,443,791</u></b>	<b><u>\$ 577,266</u></b>

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2015**

**NOTE 7 – FLORIDA RETIREMENT SYSTEM**

*General Information*

All full-time employees participate in the Florida Retirement System (FRS). The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the Florida Retirement System Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost sharing multiple-employer defined benefit pension plan, to assist retired members of any state administered retirement system in paying the costs of health insurance.

Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000 or calling toll free at 877-377-1737. The report is also available at the Florida Department of Management Services web site [www.dms.myflorida.com](http://www.dms.myflorida.com).

*Significant Accounting Policies*

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

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2015**

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

*Pension Plan*

*Plan Description*

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

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

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

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

*Benefits Provided*

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

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2015**

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

*Pension Plan* (Continued)

Benefits Provided (Continued)

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

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

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

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2015**

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

*Pension Plan* (Continued)

Contributions

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the fiscal year ended September 30, 2015 were as follows:

Class	10/01/14 through 06/30/15	07/01/15 through 09/30/15
Regular Class	7.37%	7.26%
Senior Management Service Class	21.14%	21.43%
Special Risk Class	19.82%	22.04%
DROP	12.28%	12.88%

Except for the DROP, the employer contribution rates include a 1.26% and 1.66% HIS Plan subsidy for the periods October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015, respectively, and 0.04% for administrative costs of the Public Employee Optional Retirement Program.

For the fiscal year ended September 30, 2015, the Town made contributions of \$163,091 to the Pension Plan and the Town's employees made contributions of \$31,116, for total contributions of \$194,207.

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2015**

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

*Pension Plan* (Continued)

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

At September 30, 2015, the Town reported a liability of \$906,497 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The Town's proportionate share of the net pension liability was based on the Town's 2014-15 plan year contributions relative to the 2014-15 plan year contributions of all participating members. At June 30, 2015, the Town's proportionate share was .007018222 percent, which was a decrease of .000116250 percent from its proportionate share measured as of June 30, 2014.

For the fiscal year ended September 30, 2015, the Town recognized pension expense of \$33,033 related to the Plan. In addition the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 95,699	\$ 21,499
Change of assumptions	60,167	
Net difference between projected and actual earnings on Pension Plan investments		216,456
Change in proportion and differences between Town Pension Plan contributions and proportionate share of contributions		139,645
Town Pension Plan contributions subsequent to the measurement date	39,714	
Total	<u>\$ 195,580</u>	<u>\$ 377,600</u>

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2015**

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

*Pension Plan* (Continued)

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

The deferred outflows of resources related to the Pension Plan, totaling \$39,714 resulting from Town contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

<u>Fiscal Year Ending</u> <u>September 30</u>	<u>Amount</u>
2016	\$ (103,517)
2017	(103,517)
2018	(103,517)
2019	75,066
2020	9,197
Thereafter	4,554
	<u><u>\$ (221,734)</u></u>

*Actuarial Assumptions*

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	July 1, 2015
Measurement date	June 30, 2015
Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Mortality	Generational RP-2000 with projection scale BB
Actuarial cost method	Individual Entry Age

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2015**

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

*Pension Plan* (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

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

<u>Asset Class</u>	(1) <u>Target Allocation</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	3.2%	3.1%	1.7%
Fixed Income	18.0%	4.8%	4.7%	4.7%
Global Equity	53.0%	8.5%	7.2%	17.7%
Real Estate (Property)	10.0%	6.8%	6.2%	12.0%
Private Equity	6.0%	11.9%	8.2%	30.0%
Strategic Investments	12.0%	6.7%	6.1%	11.4%
Total	<u><u>100.0%</u></u>			
Assumed Inflation - Mean		2.60%		1.90%

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

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2015**

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

***Pension Plan*** (Continued)

*Discount Rate*

The discount rate used to measure the total pension liability was 7.65%. The Pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

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

The following represents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.65%) or one percentage point higher (8.65%) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Town's proportionate share of the net pension liability	\$ \$ 2,348,940	\$ \$ 906,497	\$ \$ (293,852)

*Pension Plan Fiduciary Net Position*

Detailed information regarding the Pension Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

*Payables to the Pension Plan*

At September 30, 2015, the Town reported no payable for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2015.

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2015**

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

***Retiree Health Insurance Subsidy (HIS) Program***

*Plan Description*

The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

*Benefits Provided*

For the fiscal year ended September 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

*Contributions*

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2015, the HIS contribution for the period October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015 was 1.26% and 1.66%, respectively. The Town contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contribution are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The Town's contributions to the HIS Plan totaled \$19,815 for the fiscal year ended September 30, 2015.

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2015**

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

***Retiree Health Insurance Subsidy (HIS) Program*** (Continued)

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

At September 30, 2015, the Town reported a liability of \$481,999 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The Town's proportionate share of the net pension liability was based on the Town's 2014-15 plan year contributions relative to the 2014-15 plan year contributions of all participating members. At June 30, 2015, the Town's proportionate share was .004726211 percent, which was an increase of .000105375 percent from its proportionate share measured as of June 30, 2014.

For the fiscal year ended September 30, 2015, the Town recognized pension expense of \$29,167. In addition the Town reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$ 37,921	\$
Net difference between projected and actual earnings on Pension Plan investments	261	
Change in proportion and differences between Town Pension Plan contributions and proportionate share of contributions	8,178	4,346
Town Pension Plan contributions subsequent to the measurement date	<u>4,139</u>	
Total	<u>\$ 50,499</u>	<u>\$ 4,346</u>

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2015**

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

***Retiree Health Insurance Subsidy (HIS) Program*** (Continued)

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

The deferred outflows of resources related to the HIS Plan, totaling \$4,139 resulting from Town contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	Amount
2016	\$ 7,087
2017	7,087
2018	7,087
2019	7,034
2020	7,008
Thereafter	6,711
	\$ 42,014

*Actuarial Assumptions*

The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions:

Valuation date	July 1, 2015
Measurement date	June 30, 2015
Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Municipal bond rate	3.80%
Investment rate of return	N/A
Mortality	Generational RP-2000 with Projection Scale BB
Actuarial cost method	Individual Entry Age

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2015**

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

***Retiree Health Insurance Subsidy (HIS) Program*** (Continued)

*Discount Rate*

The discount rate used to measure the total pension liability was 3.80%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

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

The following represents the Town’s proportionate share of the net pension liability calculated using the discount rate of 3.80%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.80%) or one percentage point higher (4.80%) than the current rate:

	1% Decrease (2.80%)	Discount Rate (3.80%)	1% Increase (4.80%)
Town's proportionate share of the net pension liability	\$ \$ 549,216	\$ \$ 481,999	\$ \$ 425,951

*Pension Plan Fiduciary Net Position*

Detailed information regarding the HIS Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

*Payables to the Pension Plan*

At September 30, 2015, the Town reported no payable for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2015.

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2015**

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

***Summary Data***

The following table provides a summary of significant information related to the Florida Retirement System defined benefit plans for the year ended September 30, 2015.

Description	Pension Plan	HIS Plan	Total
Proportionate share of total pension liability	\$ 11,325,356	\$ 484,399	\$ 11,809,755
Proportionate share of plan fiduciary net position	10,418,859	2,400	10,421,259
Proportionate share of net pension liability	906,497	481,999	1,388,496
Proportionate share of deferred outflows of resources	195,580	50,499	246,079
Proportionate share of deferred inflows of resources	377,600	4,346	381,946
Pension expense	33,033	29,167	62,200

***Investment Plan***

**Plan Description**

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

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

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2015**

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

*Investment Plan* (Continued)

Funding Policy

The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected Officers, etc.), as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members.

Participating employers are required to make contributions based upon statewide contributions rates. The contribution rates by job class for the Town’s employees for the fiscal year ended September 30, 2015, are as follows:

Class	10/01/14 through 06/30/15	07/01/15 through 09/30/15
Regular Class	7.37%	7.26%
Senior Management Service Class	21.14%	21.43%
Special Risk Class	19.82%	22.04%
DROP	12.28%	12.88%

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Town.

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2015**

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

*Investment Plan* (Continued)

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The Town's Investment Plan pension expense totaled \$34,174 for the fiscal year ended September 30, 2015.

**NOTE 8 – DEFERRED COMPENSATION PLAN**

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

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

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

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2015**

**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 \$978,969 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, 2016, will be \$1,018,128 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 \$210,826 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.

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

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2015**

**NOTE 11 – COMMITMENTS**

*Inspection Services*

On August 1, 2012, the Town entered into an agreement with Hy-Byrd Incorporated to perform the services of building official. The agreement was for a three year term and expired on August 1, 2015. The agreement was renewed for an additional three year term that expires on August 1, 2018. 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, 2015, the Town incurred costs of \$129,410 for inspection services pursuant to the agreement.

*Solid Waste and Recycling Collection Services*

Effective October 1, 2009, the Town entered into an agreement with Republic Services of Florida, Limited Partnership (Republic) for solid waste and recycling collection services. The agreement is for a five year term ending September 30, 2014, with an option to renew for an additional five years. In June 2014, the Town exercised the option to renew the agreement for an additional five year term ending September 30, 2019. Under the terms of the agreement, the Town pays an established rate per month per unit picked up curbside or containerized. Republic bills the Town monthly for services provided. For the year ended September 30, 2015, the Town made payments of \$243,635 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.

*Encumbrances*

At September 30, 2015, the Town had encumbrances of \$15,704 in the General Fund.

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2015**

**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.

*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.

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2015**

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

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	\$ 7,831
Interest on net OPEB obligation	899
Adjustment to annual required contribution	<u>(1,169)</u>
Annual OPEB cost	7,561
Estimated net contributions made	<u>(2,873)</u>
Increase in net OPEB obligation	4,688
Net OPEB obligation October 1, 2014	<u>19,987</u>
Net OPEB obligation September 30, 2015	<u>\$ 24,675</u>

*Trend Information*

<u>Three-Year Trend Information</u>			
Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/13	\$ 8,289	43.9%	\$ 15,248
09/30/14	\$ 7,348	35.5%	\$ 19,987
09/30/15	\$ 7,561	38.0%	\$ 24,675

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2015**

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

*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.

*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

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2015**

**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, 2015, 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 September 30</u>	<u>Minimum Lease Payments</u>
2016	\$ 3,052
2017	<u>2,543</u>
	<u>\$ 5,595</u>

**NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE**

The Town participates in the Florida Retirement System defined benefit pension plan and the Florida Retirement System Health Insurance Subsidy Program defined benefit plan administered by the Florida Division of Retirement. As discussed in Note 1, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27*, and GASB Statement No. 71, *Pension Transition Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*, during the current fiscal year. These standards require participating employers in cost-sharing multiple-employer defined benefit pension plans to report their proportionate share of the net pension liabilities and related pension amounts of defined benefit pension plans. The cumulative effect of applying GASB 68 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, 2014, as reported	\$ 14,290,221
Adjustment for adoption of GASB 68	<u>(1,644,145)</u>
Balance at September 30, 2014, as restated	<u>\$ 12,646,076</u>

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Required Supplementary Information (RSI)**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended September 30, 2015**

	Original Adopted Budget	Final Revised Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 3,988,796	\$ 3,988,796	\$ 3,963,078	\$ (25,718)
Utility service taxes	359,000	359,000	396,012	37,012
Gasoline taxes	50,500	50,500	54,120	3,620
Sales taxes	137,000	137,000	139,017	2,017
Local business tax	2,500	2,500	2,666	166
Electric franchise fee	160,000	160,000	165,337	5,337
State shared revenues	41,650	41,650	43,396	1,746
Local shared revenues	47,000	47,000	46,282	(718)
Licenses and permits	143,650	143,650	284,354	140,704
Fines and forfeitures	13,400	13,400	163,233	149,833
Charges for services	590,726	590,726	624,817	34,091
Interest	19,000	19,000	29,958	10,958
Increase in fair value			23,431	23,431
Grants			1,000	1,000
Contributions			7,543	7,543
Miscellaneous	11,900	11,900	11,769	(131)
Total revenues	<u>5,565,122</u>	<u>5,565,122</u>	<u>5,956,013</u>	<u>390,891</u>
<b>Expenditures</b>				
Town commission	21,518	22,518	22,080	438
Town manager	138,859	138,859	135,435	3,424
Town clerk/finance	295,743	295,743	279,292	16,451
Legal	117,000	211,500	209,836	1,664
Appointed boards	6,100	6,100	2,575	3,525
General government	970,485	992,518	938,428	54,090
Public safety	3,237,583	3,237,583	2,821,500	416,083
Building and zoning	122,500	155,500	154,145	1,355
Solid waste	249,500	249,500	243,635	5,865
Environmental	250,300	250,300	227,031	23,269
Public works	269,192	269,192	248,006	21,186
Contingency	50,000	8,467		8,467
Total expenditures	<u>5,728,780</u>	<u>5,837,780</u>	<u>5,281,963</u>	<u>555,817</u>
Excess (deficiency) of revenues over (under) expenditures	(163,658)	(272,658)	674,050	946,708
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	2,000	2,000	1,000	(1,000)
Transfers out	(150,000)	(150,000)	(150,000)	
Total other financing sources (uses)	<u>(148,000)</u>	<u>(148,000)</u>	<u>(149,000)</u>	<u>(1,000)</u>
Net change in fund balances	<u>\$ (311,658)</u>	<u>\$ (420,658)</u>	525,050	<u>\$ 945,708</u>
Fund balance, beginning of year			<u>3,399,909</u>	
Fund balance, end of year			<u>\$ 3,924,959</u>	

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Notes to the Budgetary**  
**Required Supplementary Information (RSI)**  
**General Fund**  
**September 30, 2015**

**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 25. 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, 2015, there were no departments that had an excess of expenditures over appropriations.

**TOWN OF OCEAN RIDGE, FLORIDA**  
**Required Supplementary Information (RSI)**  
**Schedule of Funding Progress**  
**Other Postemployment Benefits**  
**For the Fiscal Year Year Ended September 30, 2015**

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.

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

	<u>2014</u>	<u>2015</u>
Contractually required FRS contribution	\$ 156,275	\$ 171,110
FRS contributions in relation to the contractually required contribution	<u>156,275</u>	<u>171,110</u>
FRS contribution deficiency (excess)	<u>\$</u>	<u>\$</u>
Town's covered-employee payroll	\$ 1,196,497	\$ 1,307,878
FRS contributions as a percentage of covered-employee payroll	13.06%	13.08%

This schedule is intended to present data for 10 years. For years prior to 2014 data are unavailable. Additional years will be presented as they become available. The amounts presented for each fiscal year were determined as of the June 30 measurement date.

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

	<u>2014</u>	<u>2015</u>
Proportion of the FRS net pension liability	0.007134472%	0.007018222%
Proportionate share of the FRS net pension liability	\$ 435,308	\$ 906,497
Town's covered-employee payroll	\$ 1,196,497	\$ 1,307,878
Town's proportionate share of the FRS net pension liability as a percentage of covered-employee payroll	36.38%	69.31%
FRS Plan fiduciary net position as a percentage of the total pension liability	96.09%	92.00%

This schedule is intended to present data for 10 years. For years prior to 2014 data are unavailable. Additional years will be presented as they become available. The amounts presented for each fiscal year were determined as of the June 30 measurement date. The Plan's fiduciary net position as a percentage of the total pension liability is published in the Plan's Comprehensive Annual Financial Report.

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

	2014	2015
Contractually required HIS contribution	\$ 15,829	\$ 18,067
HIS contributions in relation to the contractually required contribution	15,829	18,067
HIS contribution deficiency (excess)	\$	\$
Town's covered-employee payroll	\$ 1,476,131	\$ 1,539,701
HIS contributions as a percentage of covered-employee payroll	1.07%	1.17%

This schedule is intended to present data for 10 years. For years prior to 2014 data are unavailable. Additional years will be presented as they become available. The amounts presented for each fiscal year were determined as of the June 30 measurement date.

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

	<u>2014</u>	<u>2015</u>
Proportion of the HIS net pension liability	0.004620836%	0.004726211%
Proportionate share of the HIS net pension liability	\$ 432,059	\$ 481,999
Town's covered-employee payroll	\$ 1,476,131	\$ 1,539,701
Town's proportionate share of the HIS net pension liability as a percentage of it covered-employee payroll	29.27%	31.30%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.99%	0.50%

This schedule is intended to present data for 10 years. For years prior to 2014 data are unavailable. Additional years will be presented as they become available. The amounts presented for each fiscal year were determined as of the June 30 measurement date. The Plan's fiduciary net position as a percentage of the total pension liability is published in the Plan's Comprehensive Annual Financial Report. The discount rate decreased from 4.29% in 2014 to 3.80% in 2015.



# NOWLEN, HOLT & MINER, P.A.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Town of Ocean Ridge, Florida, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Ocean Ridge's basic financial statements and have issued our report thereon dated May 3, 2016.

### **Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

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

West Palm Beach, Florida  
May 3, 2016



# NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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## MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

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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, 2015, and have issued our report thereon dated May 3, 2016.

### 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 May 3, 2016, 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. and 10.556(7), Rules of the Auditor General, require 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. and 10.556(7), Rules of the Auditor General, require 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, 2015, 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, 2015. 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, 2015, 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 Representative, 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 & Mimes, P.A.*

West Palm Beach, Florida  
May 3, 2016



# NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2015. 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, 2015.

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  
May 3, 2016