

**TOWN OF BRINY BREEZES, FLORIDA**

**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

# TOWN OF BRINY BREEZES, FLORIDA

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## **INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and Members of the Town Council  
Town of Briny Breezes, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Briny Breezes, Florida (the Town) as of and for the fiscal year ended September 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audits 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing and opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Briny Breezes, Florida as of September 30, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 12, 2007 on our consideration of the Town's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedules, listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Mayor and Members of the Town Council  
Town of Briny Breezes, Florida

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Briny Breezes, Florida, basic financial statements. The Statement of Revenues, expenses and Changes in Fund Net Assets- Proprietary Funds - Budget and Actual are presented for purposes of additional analysis and are not a required part of the basic financial statements. That schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Alberni Caballero & Castellanos, L.L.P.*

December 12, 2007  
Coral Gables, Florida

TOWN OF BRINY BREEZES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2007

The Town of Briny Breeze's discussion and analysis is designed to:

1. Assist the reader in focusing on significant financial issues
2. Provide an overview of the Town's financial position
3. Identify any material deviations from the approved budget
4. Identify changes in the Town's financial position
5. Identify individual fund issues or concerns

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Town's financial statements, which follow this section.

Financial Highlights

The Town's combined net assets increased as a result of this year's operations. The assets of the Town of Briny Breezes exceeded its liabilities at the close of the most recent fiscal year by \$1,800,645 (net assets). Of this amount, \$555,115 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

The general fund revenues were \$465,951 at the close of fiscal year 2007. During this period and at the end of the 2007 fiscal year, the unreserved fund balance for the general fund was \$234,338 or 48% of the total general fund expenditures.

The proprietary fund revenues at the close of fiscal year 2007 were \$169,608. When taking into account the operating expenses of \$140,889 and the non-operating revenues of \$545, the net assets in the proprietary fund increased \$29,264.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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 private sector business.

The Statement of Net Assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. Changes in the Town's property tax base will also need to be considered in assessing the overall health of the Town.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. 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. In the Statement of Net Assets and Statement of Activities, we divide the Town into two types of activities.

Government Activities – Most of the Town's basic services are reported here, including public safety and general administration. Property taxes and franchise fees, intergovernmental shared revenues and charges for services finance most of these activities.

Business-type Activities – The Town charges a fee to customers to help it cover the cost of certain services it provides (i.e. water and sewer).

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.

Governmental Funds include most of the Town's basic services and are separated into a General Fund and a Special Revenue Fund. The Special Revenue Fund is for the purpose of making certain that the revenues that are received and designated for a stated purpose are expended for only that stated purpose. The Town adopts an annual appropriated budget for the General Fund.

Proprietary Funds are for reporting on services for which the Town charges customers a fee. The Town's Enterprise Fund (one type of proprietary fund) is the same as its business type activities but provides more detail and additional information such as cash flows.

Notes to The Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

Since this is the fourth year that the Town has reported its financial statements in government-wide format using the GASB 34 reporting model, a comparative analysis of government-wide data to the 2006 fiscal year is being presented.

The Town's net assets for the fiscal year ending 2007 are reported at \$1,800,645. Net assets for the fiscal year ending 2006 for governmental activities are reported at \$271,870. The net assets of our business activities are reported at \$1,528,775 for the fiscal year ending 2007.

Overall the financial position of the total primary government is slightly better than the prior year, with a decrease in net assets for the governmental activities and an increase in the business type activities.

The following table shows a summary of the Town's financial position at September 30, 2007.

Summary of Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Total % Change 2007-2006</u>
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	
Current and other assets	\$280,613	\$312,140	\$320,172	\$254,742	\$600,785	\$566,882	6%
Capital assets	-	-	1,208,603	1,260,229	1,208,603	1,260,229	(4)%
<b>Total assets</b>	<b>280,613</b>	<b>312,140</b>	<b>1,528,775</b>	<b>1,514,971</b>	<b>1,809,388</b>	<b>1,827,111</b>	<b>(1)%</b>
Current and other liabilities	8,743	18,787	-	15,460	8,743	34,247	(74)%
<b>Total liabilities</b>	<b>8,743</b>	<b>18,787</b>	<b>-</b>	<b>15,460</b>	<b>8,743</b>	<b>34,247</b>	<b>(74)%</b>
Net assets							
Invested in capital assets,							
Net of related debt	-	-	1,208,603	1,260,229	1,208,603	1,260,229	(4)%
Restricted	36,927	35,364	-	-	36,927	35,364	4%
Unrestricted	234,943	257,989	320,172	239,282	555,115	497,271	12%
<b>Total net assets</b>	<b>\$271,870</b>	<b>\$293,353</b>	<b>\$1,528,775</b>	<b>\$1,499,511</b>	<b>\$1,800,645</b>	<b>\$1,792,864</b>	<b>0.4%</b>

- ❖ Decrease in current assets for governmental activities was mainly due to decreases in cash used to fund the current year's operations, which were offset by increases in cash for the business-type activities.
- ❖ Decreases in capital assets were due to depreciation.
- ❖ Decreases in liabilities were due to payments made as of September 30, 2007.

Changes in Net Assets

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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).

The net loss for governmental activities totaled \$21,483. The loss was primarily due to increased costs in general government due to election costs and legal expenditures. Also, increases in the public safety contracts.

The gain in business-type activities was \$29,264, which was more than the previous year due to a decrease in expenditures.

The following table provides a summary of the Town's changes in net assets for the year ended September 30, 2007.

	Governmental Activities		Business-type Activities		Total		Total % Change 2007-2006
	2007	2006	2007	2006	2007	2006	
<b>Revenues</b>							
Program revenues							
Charges for services	\$287,669	\$278,111	\$169,608	\$170,400	\$457,277	\$448,511	2%
Operating grants/contributions	766	17,243	-	-	766	17,243	(96)%
<b>General revenues</b>							
Property taxes	110,710	109,838	-	-	110,710	109,838	1%
Intergovernmental	49,351	51,455	-	-	49,351	51,455	(4)%
Utility taxes	19,119	20,455	-	-	19,119	20,455	(7)%
Investment and other income	2,665	2,469	545	9,361	3,210	11,830	(73)%
<b>Total revenues</b>	<b>470,280</b>	<b>479,571</b>	<b>170,153</b>	<b>179,761</b>	<b>640,433</b>	<b>659,332</b>	<b>(3)%</b>
<b>Expenses</b>							
General government	84,153	41,420	-	-	84,153	41,420	103%
Public safety	394,963	378,719	-	-	394,963	378,719	4%
Physical environment	11,148	27,181	-	-	11,148	27,181	(59)%
Culture and recreation	1,499	1,399	-	-	1,499	1,399	7%
Water and sewer	-	-	140,889	163,329	140,889	163,329	(14)%
<b>Total expenses</b>	<b>491,763</b>	<b>448,719</b>	<b>140,889</b>	<b>163,329</b>	<b>632,652</b>	<b>612,048</b>	<b>3%</b>
Change in net assets	(21,483)	30,852	29,264	16,432	7,781	47,284	(84)%
Net assets, beginning	293,353	262,501	1,499,511	1,483,079	1,792,864	1,745,580	3%
<b>Net assets, ending</b>	<b>\$271,870</b>	<b>\$293,353</b>	<b>\$1,528,775</b>	<b>\$1,499,511</b>	<b>\$1,800,645</b>	<b>\$1,792,864</b>	<b>0.4%</b>

Less than half, only 28% of the Town's revenues come from property taxes, utility taxes and intergovernmental revenues. The remainder of the revenue sources is as follows: 26% from water and sewer fees, 45% from charges for services (i.e. public safety) and 1% from other sources.

The Town's expenses cover a range of services, with 62% related to public safety, 22% related to providing water and sewer, 13% for general government and 2% for other expenses.

Financial Analysis of the Governmental Funds

As the Town of Briny Breezes completed the year, the general fund reported a fund balance of \$234,943, a decrease of \$23,046 from the previous year. Due to the reasons mentioned above.

The Special Revenue Fund ended the 2007 fiscal year with \$36,927 in reserved fund balances and no unreserved fund balances.

General Fund Budgetary Highlights

Over the course of the year, the Town Council increased the General Fund budgeted expenditures by \$22,000.

Actual expenditures were \$4,616 more than the anticipated budget and revenues were \$3,570 more than the budgeted amounts. These variations are not expected to have a significant effect on future services or liquidity.

Capital Asset and Debt Administration

There were not any major capital expenditures during the 2007 fiscal year.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>% Change</u>
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	
Leasehold improvements	\$145,557	\$145,557	\$ -	\$ -	\$145,557	\$145,557	0%
Furniture and equipment	19,449	19,449	-	-	19,449	19,449	0%
Infrastructure	-	-	<u>1,613,020</u>	<u>1,624,320</u>	<u>1,613,020</u>	<u>1,624,320</u>	(1)%
Total	<u>165,006</u>	<u>165,006</u>	<u>1,613,020</u>	<u>1,624,320</u>	<u>1,778,026</u>	<u>1,789,326</u>	(1)%
Accumulated depreciation	<u>(165,006)</u>	<u>(165,006)</u>	<u>(404,417)</u>	<u>(364,091)</u>	<u>(569,423)</u>	<u>(529,097)</u>	8%
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,208,603</u>	<u>\$ 1,260,229</u>	<u>\$ 1,208,603</u>	<u>\$ 1,260,229</u>	(4)%

Debt

As of September 30, 2007, the Town has no debt.

Economic Factors and Next Year's Budgets and Rates

For the 2008 fiscal year, general fund revenue projections have increased by \$58,040 or 12% due primarily to an increase in the contracts for public safety services. The millage rate was decreased to 2.5571 mills which is 9% less than the rolled back rate. The water/sewer fees are projected to be decreased by \$24,400 for the fiscal year 2008 in the Enterprise Fund. This is due to an increase in interest earnings and an expected decrease in utility service expenditures.



### 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 address them in writing to the Town of Briny Breezes, 5000 N. Ocean Boulevard, Briny Breezes, FL 33435.

**TOWN OF BRINY BREEZES, FLORIDA**

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2007

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 239,889	\$ 320,172	\$ 560,061
Accounts receivable	3,192	-	3,192
Restricted assets:			
Cash and cash equivalents	36,927	-	36,927
Prepays	605	-	605
Capital assets:			
Furniture and equipment	19,449	-	19,449
Leasehold improvements	145,557	-	145,557
Infrastructure	-	1,613,020	1,613,020
Total capital assets	165,006	1,613,020	1,778,026
Less accumulated depreciation	(165,006)	(404,417)	(569,423)
Total capital assets - net	-	1,208,603	1,208,603
Total assets	<u>280,613</u>	<u>1,528,775</u>	<u>1,809,388</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	<u>8,743</u>	<u>-</u>	<u>8,743</u>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	-	1,208,603	1,208,603
Restricted for:			
Roads and transportation	36,927	-	36,927
Unrestricted	<u>234,943</u>	<u>320,172</u>	<u>555,115</u>
Total net assets	<u>\$ 271,870</u>	<u>\$ 1,528,775</u>	<u>\$ 1,800,645</u>

See notes to basic financial statements

**TOWN OF BRINY BREEZES, FLORIDA**  
STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED SEPTEMBER 30, 2007

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>	
<u>Functions/programs</u>						
Governmental activities:						
General government	\$ 84,153	\$ 9,768	\$ -	\$ (74,385)	\$ -	\$ (74,385)
Public safety	394,963	277,901	-	(117,062)	-	(117,062)
Physical environment	11,148	-	766	(10,382)	-	(10,382)
Culture and recreation	1,499	-	-	(1,499)	-	(1,499)
Total governmental activities	491,763	287,669	766	(203,328)	-	(203,328)
Business-type activities:						
Water & Sewer	140,889	169,608	-	-	28,719	28,719
Total business activities	140,889	169,608	-	-	28,719	28,719
Total	\$ 632,652	\$ 457,277	\$ 766	\$ (203,328)	\$ 28,719	\$ (174,609)
General revenues:						
Property taxes				\$ 110,710	\$ -	\$ 110,710
Utility taxes				19,119	-	19,119
Intergovernmental				49,351	-	49,351
Investment income				2,665	545	3,210
Total general revenues				181,845	545	182,390
Change in net assets				(21,483)	29,264	7,781
Net assets, October 1				293,353	1,499,511	1,792,864
Net assets, September 30				\$ 271,870	\$ 1,528,775	\$ 1,800,645

See notes to basic financial statements

**TOWN OF BRINY BREEZES, FLORIDA**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2007

	<u>Major Fund</u>		
	<u>General</u>	Other Governmental <u>Fund</u>	Total Governmental <u>Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 239,889	\$ -	\$ 239,889
Accounts receivable	3,192	-	3,192
Restricted assets:			
Cash and cash equivalents	-	36,927	36,927
Prepays	605	-	605
Total assets	<u>\$ 243,686</u>	<u>\$ 36,927</u>	<u>\$ 280,613</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Accounts payable	<u>\$ 8,743</u>	<u>\$ -</u>	<u>\$ 8,743</u>
Total liabilities	<u>8,743</u>	<u>-</u>	<u>8,743</u>
<u>FUND BALANCES</u>			
Reserved for:			
Prepays	605	-	605
Unreserved, reported in:			
General fund, undesignated	234,338	-	234,338
Special revenue funds, undesignated	-	36,927	36,927
Total fund balances	<u>234,943</u>	<u>36,927</u>	<u>271,870</u>
Total liabilities and fund balances	<u>\$ 243,686</u>	<u>\$ 36,927</u>	

Amounts reported for governmental activities in the statement of net assets are different as a result of:

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

Governmental capital assets	165,006	
Less accumulated depreciation	<u>(165,006)</u>	-
Net assets of governmental activities (Page 8)		<u>\$ 271,870</u>

**TOWN OF BRINY BREEZES, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2007**

	<u>Major Fund</u>		
	<u>General</u>	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 110,710	\$ -	\$ 110,710
Charges for services	277,876	-	277,876
Public service taxes	19,119	-	19,119
Intergovernmental	45,788	4,329	50,117
Licenses and permits	9,768	-	9,768
Fines and forfeitures	25	-	25
Investment income	<u>2,665</u>	<u>-</u>	<u>2,665</u>
Total revenues	<u>465,951</u>	<u>4,329</u>	<u>470,280</u>
Expenditures:			
Current:			
General government	84,153	-	84,153
Public safety	394,963	-	394,963
Physical environment	8,382	2,766	11,148
Culture and recreation	<u>1,499</u>	<u>-</u>	<u>1,499</u>
Total expenditures	<u>488,997</u>	<u>2,766</u>	<u>491,763</u>
Net change in fund balances	(23,046)	1,563	(21,483)
Fund balances - beginning	<u>257,989</u>	<u>35,364</u>	<u>293,353</u>
Fund balances - ending	<u>\$ 234,943</u>	<u>\$ 36,927</u>	<u>\$ 271,870</u>

Amounts reported for governmental activities in the statement of activities are different as a result of:

Net change in fund balances - total government funds \$ (21,483)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital outlays	\$ -	
Less current year depreciation	<u>-</u>	<u>-</u>

Change in net assets of governmental activities (Page 9) \$ (21,483)

**TOWN OF BRINY BREEZES, FLORIDA**

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

SEPTEMBER 30, 2007

<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ <u>320,172</u>
Non-current assets:	
Capital assets:	
Infrastructure	1,613,020
Less accumulated depreciation	<u>(404,417)</u>
Total capital assets - net	<u>1,208,603</u>
 Total assets	 <u>1,528,775</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	<u>-</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	1,208,603
Unrestricted	<u>320,172</u>
Total net assets	<u>\$ 1,528,775</u>

See notes to basic financial statements

**TOWN OF BRINY BREEZES, FLORIDA**  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND TYPES  
FISCAL YEAR ENDED SEPTEMBER 30, 2007

Operating revenues:	
Charges for services	\$ 169,608
Total operating revenues	<u>169,608</u>
Operating expenses:	
Administrative costs	1,570
Operations and maintenance	20,003
Water and disposal costs	78,990
Depreciation	<u>40,326</u>
Total operating expenses	<u>140,889</u>
Operating income	<u>28,719</u>
Nonoperating revenues:	
Investment income	<u>545</u>
Total nonoperating revenues	<u>545</u>
Change in net assets	29,264
Total net assets, October 1	<u>1,499,511</u>
Total net assets, September 30	<u><u>\$ 1,528,775</u></u>

See notes to basic financial statements.

**TOWN OF BRINY BREEZES, FLORIDA**

STATEMENT OF CASH FLOWS

ALL PROPRIETARY FUND TYPES

FISCAL YEAR ENDED SEPTEMBER 30, 2007

Cash Flows From Operating Activities:	
Cash received from customers, governments and other funds	\$ 169,608
Cash paid to suppliers	<u>(104,723)</u>
Net cash provided by operating activities	<u>64,885</u>
Cash Flows From Investing Activities:	
Investment and other income	<u>545</u>
Net cash provided by investing activities	<u>545</u>
Net Increase in Cash and Cash Equivalents	65,430
Cash and Cash Equivalents, October 1	<u>254,742</u>
Cash and Cash Equivalents, September 30	<u>\$ 320,172</u>
Reconciliation of Operating Income to Cash and Cash Equivalents	
Provided by Operating Activities:	
Operating income	<u>\$ 28,719</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	40,326
Change in assets and liabilities:	
Decrease in accounts payable and accrued liabilities	<u>(4,160)</u>
Total adjustments	<u>36,166</u>
Net cash provided by operating activities	<u>\$ 64,885</u>

See notes to basic financial statements



**TOWN OF BRINY BREEZES, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The summary of the Town of Briny Breezes, Florida's (the Town) significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. This report, the accounting systems and classification of accounts conform to standards of the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

**a. Financial Reporting Entity**

The Town of Briny Breezes, Florida (the "Town") is a municipal corporation governed by an elected mayor and five-member council under a Mayor/Council form of government. The Town is located in Palm Beach County, Florida and was incorporated in 1963. The Town provides the following services to its residents – law enforcement and fire control, protective inspections, sanitation, environmental, public works, civil defense, and general and administrative services. In addition, the Town owns and operates a water and sewer system.

The financial statements were prepared in accordance with GASB Statement No. 14, "*The Financial Reporting Entity*", as amended by GASB # 39, which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of the elected officials. The financial reporting entity consists of the Town, organizations for which the Town is financially accountable and other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Town is financially accountable for a component unit if it appoints a voting majority of the organization's governing board and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Town. Based upon the application of these criteria, there were no organizations which met the criteria described above.

**b. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund 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 to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**c. Measurement focus, basis of accounting, and financial statement presentation**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers receivables collected within 60 days after year-end to be available and recognizes them as revenues of the current year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the Town receives cash.

The Town reports the following major governmental funds:

The **general fund** is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

The **water and sewer fund** accounts for the operating activities of the Towns water and sewer service.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water & sewer fund is charges to customers for services.

Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**e. Assets, liabilities and net assets**

**1. Deposits**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

**2. Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either interfund receivables/payables (i.e, the current portion of interfund loans) or as advances to/from other funds (i.e, the non-current portion of interfund loans). All other outstanding balances between funds are reported as a due to/from other funds.

All other receivables due from external sources are considered to be fully collectible and as such, an allowance for doubtful accounts has not been established.

**3. Property Taxes**

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

Assessed values are established by the Palm Beach County Property Appraiser. In November 1992, a Florida constitutional amendment was approved by the voters which provides for limiting the increases in homestead property valuations for Ad Valorem tax purposes to a maximum of 3% annually and also provides for reassessment of market values upon changes in ownership. The County bills and collects all property taxes and remits them to the Town.

State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of assessed taxable valuation). The tax levy of the Town is established by the Town council and the Palm Beach County Property Appraiser incorporates the Town's millage into the total tax levy, which includes the County and the County School Board tax requirements. The millage rate assessed by the Town for the fiscal year ended September 30, 2007 was 2.7504 mills (\$2.75 per \$1,000 of taxable assessed valuation).

**4. Capital Assets**

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, sidewalks, culverts, light poles, and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$750 for equipment and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as they are completed.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

	<u>Years</u>
Infrastructure	40
Furniture and equipment	5-10

When capital assets are sold or disposed of, the related cost and accumulated depreciation are removed from the accounts and a resulting gain or loss is recorded in the government-wide financial statements.

**5. Grant Revenue**

The Town, a recipient of grant revenues, recognizes revenues (net of estimated uncollectible amounts, if any) when all applicable eligibility requirements, including time requirements, are met.

**6. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The description of each reserve indicates the purpose for which each is intended. Designations of fund balance represent tentative management plans that are subject to change.

Unreserved, undesignated fund balance is the portion of fund equity available for any lawful use.

**7. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts of assets, liabilities, disclosure of contingent liabilities, revenues, and expenditures/expenses reported in the financial statements and accompanying notes. These estimates include assessing the collectibility of receivables and the useful lives of capital assets. Although those estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

By its nature as a local government unit, the Town is subject to various federal, state, and local laws and contractual regulations. The Town has no material violations of finance-related legal and contractual obligations.

**Fund Accounting Requirements-** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like any other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related requirements, and segregation for management purposes.

**Revenue Restrictions-** The Town has various restrictions placed over certain revenue sources from federal, state, or local requirements. The primary revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Gas Tax	Roads, sidewalks, streets
Transportation Tax	Transportation and roads
Federal Emergency Management Agency	Disaster mitigation

For the year ended September 30, 2007, the Town complied, in all material respects, with these revenue restrictions.

**Excesses of expenditures over appropriations-** For the year ended September 30, 2007, expenditures exceeded appropriations in the general government department (the legal level of budgetary control) of the General Fund by \$4,616. This overexpenditure was funded by available fund balance.

**III. DEPOSITS**

*Custodial credit risk* - In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. All of the Town's deposits are entirely insured by federal depository insurance or collateralized by the multiple financial institution collateral pool pursuant to Florida Statutes, Chapter 280, "Florida Security for Public Deposits Act." Under the Act, all qualified public depositories are required to pledge eligible collateral having a fair value equal to or greater than the average daily or monthly balance of all public deposits, multiplied by the depository's collateral pledging level. The book value of the Town's deposits on the balance sheet date was \$596,988.

**IV. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2007 was as follows:

	Balance October 1, <u>2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2007</u>
<b>Governmental activities</b>				
Capital assets being depreciated:				
Leasehold improvements	\$145,557	\$ -	\$ -	\$145,557
Furniture and equipment	<u>19,449</u>	<u>-</u>	<u>-</u>	<u>19,449</u>
Total capital assets being depreciated	165,006	-	-	165,006
Less accumulated depreciation for:				
Leasehold improvements	(145,557)	-	-	(145,557)
Furniture and equipment	<u>(19,449)</u>	<u>-</u>	<u>-</u>	<u>(19,449)</u>
Total accumulated depreciation	<u>(165,006)</u>	<u>-</u>	<u>-</u>	<u>(165,006)</u>
Governmental activities capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	Balance October 1, <u>2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2007</u>
<b>Business-type activities</b>				
Capital assets being depreciated:				
Infrastructure	<u>\$1,624,320</u>	<u>\$ -</u>	<u>11,300</u>	<u>\$1,613,020</u>
Total capital assets being depreciated	1,624,320	-	-	1,613,020
Less accumulated depreciation for:				
Infrastructure	<u>(364,091)</u>	<u>(40,326)</u>	<u>-</u>	<u>(404,417)</u>
Total accumulated depreciation	<u>(364,091)</u>	<u>(40,326)</u>	<u>-</u>	<u>(404,417)</u>
Business-type activities capital assets, net	<u>\$1,260,229</u>	<u>\$(40,326)</u>	<u>\$11,300</u>	<u>\$1,208,603</u>

**V. RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Town has joined with other municipalities in the State participating in the Florida League of Cities Municipal Self Insurance Program, (the Program) a public entity risk pool currently operating as a common risk management and insurance program. The inter-local agreement with the Florida League of Cities Municipal Self Insurance Program provides that the Program will be self-sustaining through member premiums and will reinsure through commercial companies. During the past three years, the Town has not incurred any significant claims nor have there been any significant reductions in coverage.

## **VI. COMMITMENTS AND CONTINGENCIES**

### **Grants**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the Town. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

### **Lawsuits**

The Town is a defendant in various suits and claims incidental to its operations. The ultimate effect of such litigation cannot be ascertained at this time. It is the opinion of the Town's attorney that the Town has sufficient insurance coverage to cover any claims or liabilities, which may arise from such action and the resolution of the matter, will not have a material adverse effect on the financial condition of the Town.

### **Contractual Obligations**

#### **Police Services**

The Town entered into an agreement to obtain police protection from the Town of Ocean Ridge for the period October 1, 2004 to September 30, 2007. The agreement required a monthly charge to the Town totaling \$156,150 in fiscal 2007. On September 18, 2007, the Town entered into an agreement with the City of Boynton Beach for police services for the period October 1, 2007 to September 30, 2010, with options to renew for two additional three year periods. The agreement calls for an annual fee of \$195,000 payable in twelve equal monthly installments and will increase each year of the contract by the greater of CPI or 4%.

#### **Fire and Emergency Medical Services**

The Town entered into an agreement with the City of Boynton Beach for fire and emergency medical services for the period October 1, 2004, to September 30, 2016. The current year's expenditure was \$238,813, and will increase each year of the contract by the greater of CPI or 4%.

## **VII. RELATED PARTY TRANSACTIONS**

Briny Breezes, Inc. (the Corporation) is the company that manages and owns all of the property in the Town. The property owners of the Town of Briny Breezes are all shareholders of the Corporation. The Town rents an office from Briny Breezes, Inc. for its Town Hall meetings and business for \$500 per month. Total rent paid in the current year was \$6,000. The Town signed a lease effective October 1, 2002 for \$500 a month for the succeeding five (5) years.

All of the water and sewer revenue in the enterprise fund is derived from Briny Breezes, Inc. (the Corporation). In return, the Corporation provides maintenance services for the water and sewer system. In the fiscal year ending September 30, 2007, the Town paid \$10,741 to the Corporation for these services.

The Town charged the Corporation \$167,756 for fire and emergency medical services and \$109,330 for police services during the year.

**TOWN OF BRINY BREEZES, FLORIDA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2007**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive/(Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 108,889	\$ 108,889	\$ 110,710	\$ 1,821
Charges for services	277,086	277,086	277,876	790
Public service taxes	19,500	19,500	19,119	(381)
Intergovernmental	46,100	46,100	45,788	(312)
Licenses and permits	8,000	8,000	9,768	1,768
Fines and forfeitures	1,300	1,300	25	(1,275)
Investment income	1,506	1,506	2,665	1,159
Total revenues	<u>462,381</u>	<u>462,381</u>	<u>465,951</u>	<u>3,570</u>
Expenditures:				
General government	50,845	72,845	84,153	(11,308)
Public safety	396,636	396,636	394,963	1,673
Physical environment	13,300	13,300	8,382	4,918
Culture and recreation	1,600	1,600	1,499	101
Total expenditures	<u>462,381</u>	<u>484,381</u>	<u>488,997</u>	<u>(4,616)</u>
Excess of revenues over expenditures before other financing sources	<u>-</u>	<u>(22,000)</u>	<u>(23,046)</u>	<u>\$ (1,046)</u>
Other financing sources:				
Appropriations from prior year fund balance	<u>-</u>	<u>22,000</u>	<u>-</u>	
Net change in fund balance	-	-	(23,046)	
Fund balances, October 1	<u>293,353</u>	<u>293,353</u>	<u>293,353</u>	
Fund balances, September 30	<u>\$ 293,353</u>	<u>\$ 315,353</u>	<u>\$ 270,307</u>	

**TOWN OF BRINY BREEZES, FLORIDA**  
**NOTES TO BUDGETARY COMPARISON SCHEDULE**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2007**

**Notes to Budgetary Comparison Schedule**

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

***Basis of budgeting***

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: general government, public safety, physical environment, and transportation, cultural and recreational, and capital outlay. This 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 Council. Within these control levels, the Council may transfer appropriations.

The Town's Council may make by ordinance supplemental appropriations during the fiscal year. There were supplemental appropriations for the fiscal year ended September 30, 2007 totaling \$22,000 in the general fund.

The budgets for the operating funds and proprietary fund operations are prepared on the basis of generally accepted accounting principles in the United States of America. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. The budget and actual financial statements are reported on these bases. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end



**TOWN OF BRINY BREEZES, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND TYPES**  
**BUDGET AND ACTUAL**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive/(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for services	\$ 169,600	\$ 169,600	\$ 169,608	\$ 8
Total operating revenues	<u>169,600</u>	<u>169,600</u>	<u>169,608</u>	<u>8</u>
Operating expenses:				
Administrative costs	17,000	17,000	1,570	15,430
Operations and maintenance	37,200	37,200	20,003	17,197
Water and disposal costs	116,000	116,000	78,990	37,010
Depreciation	-	-	40,326	(40,326)
Total operating expenses	<u>170,200</u>	<u>170,200</u>	<u>140,889</u>	<u>29,311</u>
Operating income (loss)	<u>(600)</u>	<u>(600)</u>	<u>28,719</u>	<u>29,319</u>
Nonoperating revenues:				
Investment income	<u>600</u>	<u>600</u>	<u>545</u>	<u>(55)</u>
Total nonoperating revenues	<u>600</u>	<u>600</u>	<u>545</u>	<u>(55)</u>
Change in net assets	-	-	29,264	29,264
Total net assets, October 1	<u>1,499,511</u>	<u>1,499,511</u>	<u>1,499,511</u>	<u>-</u>
Total net assets, September 30	<u>\$ 1,499,511</u>	<u>\$ 1,499,511</u>	<u>\$ 1,528,775</u>	<u>\$ 29,264</u>



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

Honorable Mayor and Members of the Town Council  
Town of Briny Breezes, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Briny Breezes, Florida (the Town) as of and for the fiscal year ended September 30, 2007, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 12, 2007. 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.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and recommendations as item 2007-1.

Honorable Mayor and Members of the Town Council  
Town of Briny Breezes, Florida

The Town's responses to the findings and recommendations identified in our audit are described in the accompanying schedule of findings and recommendations. We did not audit the Town's response and, accordingly, we express no opinion on them.

We also noted other matters that we have reported in the schedule of findings and responses as required by the Auditor General of the State of Florida.

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

*Alberni Caballero & Castellanos, L.L.P.*

December 12, 2007  
Coral Gables, Florida



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## MANAGEMENT LETTER REQUIRED BY SECTION 10.550 OF THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Honorable Mayor and Members of the Town Council  
Town of Briny Breezes, Florida

We have audited the financial statements of the Town of Briny Breezes, Florida, as of and for the fiscal year ended September 30, 2007, and have issued our report thereon dated December 12, 2007.

We conducted our audit in accordance with United States generally accepted auditing standards, and *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over financial reporting and on Compliance and Other Matters. Disclosures in that report, which are dated December 12, 2007, should be considered in conjunction with this management letter

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls, this letter is required to include the following information.

- ❖ 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 significant findings and recommendations made in the preceding annual financial report. There were no findings or recommendations reported in the preceding annual financial report.
- ❖ Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415., Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Town of Briny Breezes, Florida complied with Section 218.415, Florida Statutes.
- ❖ Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit we have reported our recommendations in the schedule of findings and responses.
- ❖ Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- ❖ Section 10.554(1)(i)5., Rules of the Auditor General, requires, based on professional judgment, the reporting of matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed the following matters required to be disclosed:

Honorable Mayor and Members of the Town Council  
Town of Briny Breezes, Florida

- Current Year Findings and Recommendations: **2007-1, 2007-2, 2007-3, 2007-4 and 2007-5**
  
- ❖ Section 10.554(1)(i)6., 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 the management letter, unless disclosed in the notes to the financial statements. The Town was incorporated in accordance with the laws of the State of Florida Chapter 165 of 1963. There are no component units related to the Town.
  
- ❖ Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity 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 Briny Breezes, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
  
- ❖ Section 10.554(1)(i)7.b., Rules of the Auditor General, we determined that the annual financial report for the Town of Briny Breezes, Florida for the fiscal year ended September 30, 2007, 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, 2007. In connection with our audit, we determined that these two reports were in agreement.
  
- ❖ Sections 10.554(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity'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.

This management letter is intended solely for the information of the Town of Briny Breezes, Florida and management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank the Town of Briny Breezes, Florida, and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements and the courtesies extended to us.

*Alberni Caballero & Castellanos, L.L.P.*

December 12, 2007  
Coral Gables, Florida

## **SECTION I – FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS**

### **A. CURRENT YEAR FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS**

#### **REPORTABLE CONDITION**

##### **2007-1 Expenditures in Excess of Appropriations**

**Condition:**

In accordance with Florida Statutes Title XII Chapter 166.241(2), a municipality's budget must regulate expenditures and it is unlawful for any officer of a municipal government to expend or contract for expenditures in any fiscal year except in pursuance of budgeted appropriations. The Town's expenditures exceeded appropriations by approximately \$4,616 in the general fund.

**Cause:**

Expenditures for professional fees were in excess of amounts budgeted by the Town.

**Effect:**

The Town is not in compliance with Florida Statutes Title XII Chapter 166.241(2).

**Recommendation:**

We recommend that the Town comply with Florida Statutes Title XII Chapter 166.241(2) and recommend budget amendments for those line items which will exceed budgeted amounts.

**Management's Response:**

We agree with the auditors' recommendation and in the future will amend the budget for those line items that would exceed budgeted amounts.

#### **OTHER MATTERS**

##### **2007-2 Bank Reconciliations (segregation of duties)**

During our testing of bank reconciliations, we noted that the bank reconciliations are prepared and approved by the fee accountant. Although there were no findings relating to the bank reconciliations and keeping in mind that the Town currently has no employees, we recommend that the Town designate someone from the council to review and approve the bank reconciliations as an added level of supervision and internal control.

**Management's Response:**

The Town will appoint an alderman to review and approve the monthly bank reconciliations.

##### **2007-3 Develop Investment Policy and Maximize Use of Interest Bearing Account**

During our audit we noted that the Town does not have an investment policy and currently has substantial cash invested in checking and saving accounts with low investment returns. We recommend that the Town consider the benefit of investing its available cash in an investment yielding a higher return to maximize its interest income. We also recommend that the Town implement and develop an investment policy.

**Management's Response:**

The Town will develop an investment policy.

## **SECTION I – FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS (Continued)**

### **A. CURRENT YEAR FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS (Continued)**

#### **2007-4 Develop an Accounting Procedures Manual**

We noted that the Town does not have an accounting procedures manual. There may be an assumption that because the Town's accounting system is relatively simple and there is direct and easy access to the bookkeeper when questions arise, there is no need for a manual. However, written procedures, instructions, and assignments of duties will prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. A well-devised accounting manual can also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management. A good accounting manual should aid in the training of new employees and possibly allow for delegation to other employees of some accounting functions management performs. It will take some time and effort to develop a manual; however, we believe this time will be more than offset by time saved later in training and supervising accounting personnel. Also, in the process of the comprehensive review of existing accounting procedures for the purpose of developing the manual, management might discover procedures that can be eliminated or improved to make the system more efficient and effective.

#### **Management's Response:**

The Town will develop a written accounting procedures manual.

#### **2007-5 Shift from Spreadsheets to an Integrated Business Software System**

At present, the Town is very dependent on spreadsheets to manage the operations. We believe that the Town needs to significantly reduce the use of external spreadsheets and shift toward an integrated business software system. An integrated system would eliminate redundant processing and improve the Town's access to information and financial reporting. Additionally, integrated systems would allow security features to ensure that only authorized personnel would be allowed to enter, modify, or change data. Other approved users would have the ability to look up data but not to originate or change it.

#### **Management's Response:**

The Town will investigate and implement a computerized accounting system.