

TOWN OF BRINY BREEZES, FLORIDA

BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

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INDEPENDENT AUDITORS' REPORT



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Briny Breezes, Florida (the "Town") as of and for the fiscal year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Town'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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town, as of September 30, 2013, and the respective changes in financial position and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note I to the financial statements, the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* as of October 1, 2012. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 3-7 and 22-23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds – Budget and Actual is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds – Budget and Actual is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds – Budget and Actual is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2014, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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's internal control over financial reporting and compliance.

Alberni Caballero & Company, LLP

Alberni Caballero & Company, LLP

Coral Gables, Florida

April 15, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)

TOWN OF BRINY BREEZES
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013

The Town of Briny Breezes' 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 position decreased as a result of this year's operations. The assets and deferred outflows of the Town of Briny Breezes exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$1,397,773 (net position). Of this amount, \$354,341 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.

The general fund revenues were \$606,065 at the close of fiscal year 2013. During this period and at the end of the 2013 fiscal year, the unassigned fund balance for the general fund was \$83,708 or 14% of the total general fund expenditures.

The proprietary fund revenues at the close of fiscal year 2013 were \$198,055. When taking into account the operating expenses of \$250,720 and the non-operating revenues of \$554, the net position in the proprietary fund decreased by \$52,111.

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 Position presents information on all of the Town's assets and deferred outflows and liabilities and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. 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 position 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 Position and Statement of Activities, we divide the Town into two types of activities.

Governmental 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.

The Town's governmental fund includes most of the Town's basic services. The Town's one governmental fund is the General Fund which is the main operating fund for the Town. 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

The Town's net position for the fiscal year ending 2013 is reported at \$1,397,773. Net Position for the fiscal year ending 2013 for governmental activities are reported at \$144,635. The net position of our business-type activities is reported at \$1,253,138 for the fiscal year ending 2013.

Overall the financial position of the total primary government declined compared to the prior year, with an increase in net position for the governmental activities and a decrease in net position for the business type activities.

The following table shows a summary of the Town's financial position at September 30, 2013.

Summary of Net Position

	Governmental Activities		Business-type Activities		Total		Total % Change
	2013	2012	2013	2012	2013	2012	2013-2012
Current and other assets	\$167,623	\$186,227	\$279,741	\$298,089	\$353,850	\$484,316	(27)%
Capital assets	-	-	982,505	1,023,247	982,505	1,023,247	(4)%
Total assets	167,623	186,227	1,262,246	1,321,336	1,429,869	1,507,563	(5)%
Current and other liabilities	22,988	48,029	9,108	16,087	32,096	64,116	(50)%
Total liabilities	22,988	48,029	9,108	16,087	32,096	64,116	(50)%
Net position							
Investment in capital assets	-	-	982,505	1,023,247	982,505	1,023,247	(4)%
Restricted	60,927	55,685	-	-	60,927	55,685	9%
Unrestricted	83,708	82,513	270,633	282,002	354,341	364,515	(3)%
Total net assets	\$144,635	\$138,198	\$1,253,138	\$1,305,249	\$1,397,773	\$1,443,447	(3)%

- ❖ Total assets decreased mainly due to depreciation of capital assets and there were more payments and less accounts payable at year end.
- ❖ Current liabilities decreased due to less year end accruals and more payments made.

Changes in Net Position

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

The net increase for governmental activities totaled \$6,437. The increase was mainly due to greater than anticipated revenues.

The loss in business-type activities was \$52,111, and it was mainly due to increased administrative expenses and depreciation expense.

The following table provides a summary of the Town's changes in net position for the year ended September 30, 2013.

	Governmental Activities		Business-type Activities		Total		Total % Change
	2013	2012	2013	2012	2013	2012	2013-2012
Revenues							
Program revenues							
Charges for services	\$156,686	\$150,215	\$198,055	\$183,511	\$354,741	\$333,726	6%
General revenues							
Property taxes	357,631	363,686	-	-	357,631	363,686	(2)%
Intergovernmental	66,124	66,086	-	-	66,124	66,086	-
Utility taxes	25,410	19,809	-	-	25,410	19,809	28%
Investment and other income	214	351	554	612	768	963	20%
Total revenues	606,065	600,147	198,609	184,123	804,674	784,270	3%
Expenses							
General government	91,289	106,969	-	-	91,289	106,969	(15)%
Public safety	496,160	482,374	-	-	496,160	482,374	3%
Physical environment	11,297	8,312	-	-	11,297	8,312	36%
Culture and recreation	882	2,785	-	-	882	2,785	(68)%
Water and sewer	-	-	250,720	276,673	250,720	276,673	(9)%
Total expenses	599,628	600,440	250,720	276,673	850,348	877,113	(3)%
Change in net position	6,437	(293)	(52,111)	(92,550)	(45,674)	(92,843)	(51)%
Net position, beginning	138,198	138,491	1,305,249	1,397,799	1,443,447	1,536,290	(6)%
Net position, ending	\$144,635	\$138,198	\$1,253,138	\$1,305,249	\$1,397,773	\$1,443,447	(3)%

Revenues increased by 3% compared to the prior year primarily due to an increase in charges for services in the Town's enterprise fund which increased to \$198,055 from \$183,511 due to increases in water and sewer rates charged to the Town which is passed through to the residents.

Expenses decreased by 3% mainly due to a decrease in bad debt expense.

Financial Analysis of the Governmental Fund

As the Town of Briny Breezes completed the year, the general fund reported an unassigned fund balance of \$83,708, an increase of \$1,195 from the previous year.

General Fund Budgetary Highlights

Over the course of the year, the Town Council did not amend the budget.

Actual expenditures were \$173 more than the anticipated budget and revenues were \$6,610 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

The Town had no additions to capital assets during the 2013 fiscal year.

	Governmental Activities		Business-Type Activities		Total		%
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>Change</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	-	-	1,629,710	1,629,710	1,629,710	1,629,710	0%
Total	165,006	165,006	1,629,710	1,629,710	1,794,716	1,794,716	0%
					-		
Accumulated depreciation	<u>(165,006)</u>	<u>(165,006)</u>	<u>(647,205)</u>	<u>(606,463)</u>	<u>(812,211)</u>	<u>(771,469)</u>	<u>5%</u>
Total Capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 982,505</u>	<u>\$ 1,023,247</u>	<u>\$ 982,505</u>	<u>\$ 1,023,247</u>	<u>(4)%</u>

Debt

As of September 30, 2013, the Town has no debt.

Economic Factors and Next Year's Budgets and Rates

For the 2014 fiscal year, general fund expenditure projections have increased by \$1,879 due primarily to projected increases in fire services, insurance, and bookkeeping and decreases in legal services and advertising. The millage rate was maintained at 10.0000 mills and the general fund budget increased to \$599,455. The enterprise fund's budget increased to \$198,555 mainly due to increases in water and sewer utility charges.

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, 4802 N. Ocean Boulevard, Briny Breezes, FL 33435.

BASIC FINANCIAL STATEMENTS

TOWN OF BRINY BREEZES, FLORIDA

STATEMENT OF NET POSITION

SEPTEMBER 30, 2013

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 84,323	\$ 276,030	\$ 360,353
Restricted assets:			
Cash and cash equivalents	60,927	-	60,927
Accounts receivable, net	-	3,711	3,711
Other receivable	15,780	-	15,780
Prepays	6,593	-	6,593
Capital assets:			
Furniture and equipment	19,449	-	19,449
Leasehold improvements	145,557	-	145,557
Infrastructure	-	1,629,710	1,629,710
Total capital assets	165,006	1,629,710	1,794,716
Less accumulated depreciation	(165,006)	(647,205)	(812,211)
Total capital assets - net	-	982,505	982,505
Total assets	167,623	1,262,246	1,429,869
<u>LIABILITIES</u>			
Accounts payable	20,629	9,108	29,737
Unearned revenue	2,359	-	2,359
Total liabilities	22,988	9,108	32,096
<u>NET POSITION</u>			
Investment in capital assets	-	982,505	982,505
Restricted for:			
Roads and transportation	60,927	-	60,927
Unrestricted	83,708	270,633	354,341
Total net assets	\$ 144,635	\$ 1,253,138	\$ 1,397,773

See notes to basic financial statements

TOWN OF BRINY BREEZES, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		<u>Total</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>Functions/programs</u>						
Governmental activities:						
General government	\$ 91,289	\$ 8,940	\$ -	\$ (82,349)	\$ -	\$ (82,349)
Public safety	496,160	147,746	-	(348,414)	-	(348,414)
Physical environment	11,297	-	-	(11,297)	-	(11,297)
Culture and recreation	882	-	-	(882)	-	(882)
Total governmental activities	<u>599,628</u>	<u>156,686</u>	<u>-</u>	<u>(442,942)</u>	<u>-</u>	<u>(442,942)</u>
Business-type activities:						
Water and Sewer	<u>250,720</u>	<u>198,055</u>	<u>-</u>	<u>-</u>	<u>(52,665)</u>	<u>(52,665)</u>
Total business-type activities	<u>250,720</u>	<u>198,055</u>	<u>-</u>	<u>-</u>	<u>(52,665)</u>	<u>(52,665)</u>
Total	<u>\$ 850,348</u>	<u>\$ 354,741</u>	<u>\$ -</u>	<u>\$ (442,942)</u>	<u>\$ (52,665)</u>	<u>\$ (495,607)</u>
General revenues:						
Property taxes				\$ 357,631	\$ -	\$ 357,631
Utility taxes				25,410	-	25,410
Intergovernmental				66,124	-	66,124
Investment income				214	554	768
Total general revenues				<u>449,379</u>	<u>554</u>	<u>449,933</u>
Change in net position				<u>6,437</u>	<u>(52,111)</u>	<u>(45,674)</u>
Net position, October 1				<u>138,198</u>	<u>1,305,249</u>	<u>1,443,447</u>
Net position, September 30				<u>\$ 144,635</u>	<u>\$ 1,253,138</u>	<u>\$ 1,397,773</u>

See notes to basic financial statements

TOWN OF BRINY BREEZES, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUND
SEPTEMBER 30, 2013

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 84,323
Restricted assets:	
Cash and cash equivalents	60,927
Other receivable	15,780
Prepays	<u>6,593</u>
Total assets	<u>\$ 167,623</u>
<u>LIABILITIES AND FUND BALANCES</u>	
Accounts payable	20,629
Unearned revenue	<u>2,359</u>
Total liabilities	<u>22,988</u>
<u>FUND BALANCES</u>	
Restricted	60,927
Unassigned	<u>83,708</u>
Total fund balances	<u>144,635</u>
Total liabilities and fund balances	<u>\$ 167,623</u>

Amounts reported for governmental activities in the statement of net position 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 position of governmental activities (Page 8)		<u>\$ 144,635</u>

TOWN OF BRINY BREEZES, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	<u>General Fund</u>
Revenues:	
Property taxes	\$ 357,631
Charges for services	147,710
Public service taxes	25,410
Intergovernmental	66,124
Licenses and permits	8,940
Fines and forfeitures	36
Investment income	214
Total revenues	<u>\$ 606,065</u>
Expenditures:	
Current:	
General government	\$ 91,289
Public safety	496,160
Physical environment	11,297
Culture and recreation	882
Total expenditures	<u>\$ 599,628</u>
Net change in fund balances	6,437
Fund balances - beginning	<u>138,198</u>
Fund balances - ending	<u>\$ 144,635</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	\$ 6,437
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>
Change in net position of governmental activities (Page 9)	<u>\$ 6,437</u>

See notes to basic financial statements

TOWN OF BRINY BREEZES, FLORIDA

STATEMENT OF NET POSITION

PROPRIETARY FUND

SEPTEMBER 30, 2013

<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	276,030
Accounts receivable, net	3,711
Non-current assets:	
Capital assets:	
Infrastructure	1,629,710
Less accumulated depreciation	<u>(647,205)</u>
Total capital assets - net	<u>982,505</u>
Total assets	<u>1,262,246</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	<u>9,108</u>
<u>NET POSITION</u>	
Investment in capital assets	982,505
Unrestricted	<u>270,633</u>
Total net position	<u>\$ 1,253,138</u>

See notes to basic financial statements

TOWN OF BRINY BREEZES, FLORIDA
STATEMENT OF REVENUES, EXPENSES
AND CHANGE IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

Operating revenues:	
Charges for services	\$ 198,055
Total operating revenues	<u>198,055</u>
Operating expenses:	
Administrative costs	28,719
Operations and maintenance	46,090
Water and disposal costs	135,169
Depreciation	<u>40,742</u>
Total operating expenses	<u>250,720</u>
Operating loss	<u>(52,665)</u>
Nonoperating revenues:	
Investment income	<u>554</u>
Total nonoperating revenues	<u>554</u>
Change in net position	(52,111)
Total net position, October 1	<u>1,305,249</u>
Total net position, September 30	<u>\$ 1,253,138</u>

See notes to basic financial statements.

TOWN OF BRINY BREEZES, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

Cash Flows From Operating Activities:	
Cash received from customers and other governments	\$ 221,027
Cash paid to suppliers	<u>(216,957)</u>
Net cash used by operating activities	<u>4,070</u>
Cash Flows From Investing Activities:	
Investment income	<u>554</u>
Net cash provided by investing activities	<u>554</u>
Net Increase in Cash and Cash Equivalents	4,624
Cash and Cash Equivalents, October 1	<u>271,406</u>
Cash and Cash Equivalents, September 30	<u>\$ 276,030</u>
Reconciliation of Operating Loss to Cash and Cash Equivalents	
Provided by Operating Activities:	
Operating loss	<u>\$ (52,665)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	40,742
Changes in assets and liabilities:	
Decrease in accounts receivable	11,582
Decrease in other receivable	11,390
Decrease in accounts payable	<u>(6,979)</u>
Total adjustments	<u>56,735</u>
Net cash provided by operating activities	<u>\$ 4,070</u>

See notes to basic financial statements

NOTES TO BASIC FINANCIAL STATEMENTS

TOWN OF BRINY BREEZES, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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 distribution system and a sewage collection system.

As required by generally accepted accounting principles, these basic financial statements present the reporting entity of the Town. Component units are legally separate entities for which the government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the Town's combined financial statements to be misleading or incomplete. The primary government is considered financially accountable if it appoints a voting majority of an organization's governing body and 1) it is able to impose its will on the organization or 2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the Board. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity financial statements to be misleading or incomplete. 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 position and the statement of changes in net position) 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 fund:

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 Town reports the following major proprietary fund:

The **water and sewer fund** accounts for the operating activities of the Town's water and sewer service.

The financial statements of the Town have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for governmental accounting and financial reporting. The financial statements of the Town follow the guidance of GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements for both the government wide and proprietary fund financial statements. Governments also have the option of following subsequent FASB pronouncements for their business-type activities and enterprise funds subject to this same limitation. The Town has elected not to follow subsequent FASB 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 and 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.

IMPLEMENTATION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS

The Town implemented the following GASB Statement during the fiscal year ended September 30, 2013 that had an impact on the financial statements:

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It further identifies net position as the residual of all other elements presented in a statement of net position.

d. 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.

Utility charges due from Briny Breezes, Inc. total \$30,000 and an allowance for uncollectible accounts has been recorded against those receivables of \$30,000. Subsequent to year end this receivable was determined to be uncollectible and was written off.

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, 2013 was 10.0 mills (\$10.00 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 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. Net Position/Fund Balance

Total equity as of September 30, 2013, is classified into three components of net position:

- Net investment in capital assets: This category consists of capital assets (including restricted capital assets), net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, and improvements of those assets.
- Restricted net position: This category consists of net position restricted in their use by (1) external groups such as grantors, creditors or laws and regulations of other governments; or (2) law, through constitutional provisions or enabling legislation.
- Unrestricted net position: This category includes all of the remaining net position that does not meet the definition of the other two categories.

As of September 30, 2013, fund balances of the governmental funds are classified as follows:

Non-spendable — Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted — Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

5. Net Position/Fund Balance (Continued)

Committed — Amounts that can be used only for specific purposes determined by a formal action of the Town Council. The Town Council is the highest level of decision-making authority for the Town. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Town Council. Ordinances and resolutions are equally binding.

Assigned — Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned — All other spendable amounts.

The Town considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the Town would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

6. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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

For the fiscal year ended September 30, 2013, the Town complied, in all material respects, with these revenue restrictions.

Excess of expenditures over appropriations- For the fiscal year ended September 30, 2013, expenditures exceeded appropriations in the physical environment department (the legal level of budgetary control) of the General Fund by \$1,122. These over expenditures were funded by the available fund balance.

III. DEPOSITS

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. 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 banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are deemed as insured or collateralized. The book value of the Town's deposits on the balance sheet date was \$421,280.

IV. RECEIVABLES

Receivables at year-end are as follows:

	<u>Accounts</u>	<u>Other</u>	<u>Totals</u>
General Fund	\$ -	\$ 15,780	\$ 15,780
Enterprise Fund	33,711	-	33,711
Less Allowance *	<u>(30,000)</u>	<u>-</u>	<u>(30,000)</u>
	<u>\$ 3,711</u>	<u>\$ 15,780</u>	<u>\$ 19,491</u>

* Subsequent to year end, this receivable was determined to be uncollectible and was written off.

V. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2013 was as follows:

	Balance October 1, <u>2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2013</u>
Governmental activities				
Capital assets being depreciated:				
Leasehold improvements	\$145,557	\$ -	\$ -	\$145,557
Furniture and equipment	19,449	-	-	19,449
Total capital assets being depreciated	165,006	-	-	165,006
Less accumulated depreciation for:				
Leasehold improvements	(145,557)	-	-	(145,557)
Furniture and equipment	(19,449)	-	-	(19,449)
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>2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2013</u>
Business-type activities				
Capital assets being depreciated:				
Infrastructure	\$1,629,710	\$ -	\$ -	\$1,629,710
Total capital assets being depreciated	1,629,710	-	-	1,629,710
Less accumulated depreciation for:				
Infrastructure	(606,463)	(40,742)	-	(647,205)
Total accumulated depreciation	<u>(606,463)</u>	<u>(40,742)</u>	<u>-</u>	<u>(647,205)</u>
Business-type activities capital assets, net	<u>\$1,023,247</u>	<u>\$(24,052)</u>	<u>\$ -</u>	<u>\$982,505</u>

VI. 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.

VII. 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.

Contractual Obligations

Police Services

The Town entered into an agreement with the Town of Ocean Ridge for professional law enforcement services for the period October 1, 2010 to September 30, 2013. The agreement calls for an annual fee of \$185,000 payable in twelve equal monthly installments. The Town paid \$185,000 for police services for the fiscal year ended September 30, 2013.

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 \$304,930, and will increase each year of the contract by the greater of CPI or 4%.

Municipal Revenue Sharing Recycling Program

The Town entered into an agreement with the Solid Waste Authority of Palm Beach County (the "Authority") to establish a recycling program and carry out recycling activities within the Town from October 1, 2009 through September 30, 2014. The agreement automatically renews for successive 5 year periods unless written notice to terminate the agreement is provided by the preceeding April 30th. Within the agreement, the Authority agreed to pay the Town a minimum of 50% of the net revenues earned from the sale of residential recovered material attributable to the Town on a quarterly basis. Net revenues are defined as recovered residential materials revenue less the processing cost. The actual percentage paid to the Town will be determined annually through the Authority's budget process.

VIII. 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 Council meetings and business. The Town entered into an agreement with Briny Breezes Inc. for a term of five years (5) and nine (9) months, commencing April 1, 2008 and ending December 31, 2013. The Town paid \$14,138 for rent for the fiscal year. This lease was extended subsequent to year end to September 30, 2019.

The Town charged the Corporation \$91,480 for fire and emergency medical services and \$55,500 for police services during the fiscal year.

The Town contracts with a bookkeeper who is the mother of the Deputy Town Clerk. Additionally, the Town incurred expenses for approximately \$21,000 to a company for repairs and maintenance of the Town's utility system. The company's owner is the brother of the bookkeeper.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BRINY BREEZES, FLORIDA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive/(Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 361,000	\$ 361,000	\$ 357,631	\$ (3,369)
Charges for services	148,680	148,680	147,710	(970)
Public service taxes	23,000	23,000	25,410	2,410
Intergovernmental	57,530	57,530	66,124	8,594
Fine and Forfeitures	100	100	36	(64)
Licenses and permits	8,900	8,900	8,940	40
Investment income	245	245	214	(31)
Total revenues	<u>599,455</u>	<u>599,455</u>	<u>606,065</u>	<u>6,610</u>
Expenditures:				
General government	91,330	91,330	91,289	41
Public safety	496,750	496,750	496,160	590
Physical environment	10,175	10,175	11,297	(1,122)
Culture and recreation	1,200	1,200	882	318
Total expenditures	<u>599,455</u>	<u>599,455</u>	<u>599,628</u>	<u>(173)</u>
Net change in fund balance			6,437	
Fund balances, October 1			<u>138,198</u>	
Fund balances, September 30			<u>\$ 144,635</u>	

TOWN OF BRINY BREEZES, FLORIDA
NOTES TO BUDGETARY COMPARISON SCHEDULE
FISCAL YEAR ENDED SEPTEMBER 30, 2013

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, 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 no supplemental appropriations for the fiscal year ended September 30, 2013.

The budgets for the general fund 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.

Excesses of expenditures over appropriations

For the fiscal year ended September 30, 2013, expenditures exceeded appropriations in the physical environment department (the legal level of budgetary control) of the General Fund by \$1,122. These over expenditures were funded by revenues in excess of budgeted amounts.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF BRINY BREEZES, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	<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	\$ 197,555	\$ 197,555	\$ 198,055	\$ 500
Total operating revenues	<u>197,555</u>	<u>197,555</u>	<u>198,055</u>	<u>500</u>
Operating expenses:				
Administrative costs	20,375	20,375	28,719	(8,344)
Operations and maintenance	38,070	38,070	46,090	(8,020)
Water and disposal costs	139,610	139,610	135,169	4,441
Depreciation	<u>-</u>	<u>-</u>	<u>40,742</u>	<u>(40,742)</u>
Total operating expenses	<u>198,055</u>	<u>198,055</u>	<u>250,720</u>	<u>(52,665)</u>
Operating loss	<u>(500)</u>	<u>(500)</u>	<u>(52,665)</u>	<u>53,165</u>
Nonoperating revenues:				
Investment income	<u>500</u>	<u>500</u>	<u>554</u>	<u>54</u>
Total nonoperating revenues	<u>500</u>	<u>500</u>	<u>554</u>	<u>54</u>
Change in net assets	<u>-</u>	<u>-</u>	<u>(52,111)</u>	<u>(52,111)</u>
Total net assets, October 1			<u>1,305,249</u>	
Total net assets, September 30			<u>\$ 1,253,138</u>	

COMPLIANCE SECTION



CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

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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, 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, the business-type activities, and each major fund of the Town of Briny Breezes, Florida (the "Town"), as of and for the fiscal year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated April 15, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2013-01 and 2013-02 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Town's Response to Findings

The Town's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Alberni Caballero & Company, LLP

Alberni Caballero & Company, LLP

Coral Gables, Florida

April 15, 2014



CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

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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 basic financial statements the Town of Briny Breezes, Florida (the "Town"), as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated April 15, 2014.

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 Florida Auditor General. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports, which are dated April 15, 2014, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports:

- 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 and recommendations made in the preceding annual financial audit 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 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. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i)4., 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.
- Section 10.554(1)(i)5., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The 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.

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

- Section 10.554(1)(i)6.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental 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 did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)6.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Town for the fiscal year ended September 30, 2013, 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, 2013. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)6.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Town'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 management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and management of the Town, and is not intended to be and should not be used by anyone other than these specified parties.

Alberni Caballero & Company, LLP

Alberni Caballero & Company, LLP

Coral Gables, Florida
April 15, 2014

TOWN OF BRINY BREEZES, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
FISCAL YEAR ENDED SEPTEMBER 30, 2013

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS

I - CURRENT YEAR FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS

SIGNIFICANT DEFICIENCIES

2013-01 Journal Entries

Criteria

Adjusting journal entries should be approved by a designated member of management and contain descriptions and supporting documentation. This allows for a complete audit trail of journal entries posted.

Condition

During our review of the general journal entries, we noted that many entries lacked proper approval by a responsible official nor was there any verification of who entered them into the system or when they were entered. All journal entries should be accompanied by full explanations and reference to adequate supporting data and proper approval.

Cause

Insufficient internal controls over the review and approval process.

Effect

Possible unauthorized or fraudulent transactions posted to the General Ledger. The Town has the responsibility to safeguard its assets from loss or misuse. In addition, when it comes time for the audit, if journal entries are not properly posted and the auditor must investigate and propose journal entries, this causes delays in the audit process as it did in the current year.

Recommendation

We recommend that the Town implement internal controls and policies and procedures for the posting of journal entries to the Town's general ledger. We recommend the individual journal entries be approved by a responsible official prior to posting and approval be documented on paper copy of entries filed in sorted binders. We also recommend journal entries contain supporting documentation as well as affected account descriptions and purpose of entry. This will ensure a complete audit trail for transactions posted to the general ledger and ultimately the Town's financial statements.

View of Responsible Officials and Planned Corrective Actions

The Town agrees with the recommendation and will modify its Accounting Policy Manual and applicable forms to reflect this.

TOWN OF BRINY BREEZES, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
FISCAL YEAR ENDED SEPTEMBER 30, 2013

2013-02 Bank Reconciliations

Criteria

Bank reconciliations should be prepared and reviewed on a monthly basis by a responsible official and signed off denoting that it has been done. In addition, they should be reviewed and checked against supporting documentation for accuracy and reasonableness.

Condition

During our review of cash, we noted that although there is now a review process in place, the bank reconciliations were not accurate. The ending book balance per the bank reconciliation provided did not agree to the balance per the general ledger. In addition, there was an unreconciled difference which had not been addressed.

Cause

This is due to the need for a more comprehensive process as it relates to preparation and review on the bank reconciliations.

Effect

The Town does not have an accurate picture of its cash position.

Recommendation

We recommend that the preparer of the bank reconciliations verify that all reconciling items are resolved or explained as well as performing a check of the ending balances to the bank statement and general ledger prior to submission for review. We further recommend that a responsible official of the Town review and sign off on all monthly bank reconciliations prepared to confirm their completeness, accuracy and timeliness. This review should also include reviewing the supporting documentation to ensure they are accurate.

Views of Responsible Officials and Planned Corrective Action

The Town agrees with the recommendation and will modify its Accounting Policy Manual to reflect this.

II – PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS

None.