

TOWN OF BRINY BREEZES, FLORIDA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

TOWN OF BRINY BREEZES, FLORIDA

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information)	3-7
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet (Governmental Funds)	10
Statement of Revenues, Expenditures and Changes in Fund Balances (Governmental Funds)	11
Statement of Net Assets – Proprietary Funds	12
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	13
Statement of Cash Flows – Proprietary Funds	14
Notes to Basic Financial Statements	15-20
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	21-22
OTHER SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenses and Changes in Fund Net Assets- Proprietary Funds - Budget and Actual	23
COMPLIANCE SECTION	
Independent Auditors' Report on Internal Controls over Financial Reporting And Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	24-25
Management Letter in Accordance with the Rules of the Auditor General of the State of Florida	26-27
Schedule of Findings and Recommendations	28-29



4649 PONCE DE LEON BLVD.
SUITE 404
CORAL GABLES, FL 33146
TEL: 305-662-7272
FAX: 305-662-4266
ACC-CPA.COM

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, 2009, 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, 2009, 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 June 9, 2010 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, listed in the table of contents, is not a required part of the basic financial statements but is 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 Budgetary Comparison Schedule- General Fund and 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. Those schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Alberni Caballero & Company, LLP

June 9, 2010
Coral Gables, Florida

TOWN OF BRINY BREEZES
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009

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 \$1,578,333 (net assets). Of this amount, \$405,187 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

The general fund revenues were \$526,566 at the close of fiscal year 2009. During this period and at the end of the 2009 fiscal year, the unreserved fund balance for the general fund was \$76,150 or 13% of the total general fund expenditures.

The proprietary fund revenues at the close of fiscal year 2009 were \$138,900. When taking into account the operating expenses of \$184,382 and the non-operating revenues of \$6,223, the net assets in the proprietary fund decreased \$39,259.

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

The Town's net assets for the fiscal year ending 2009 are reported at \$1,578,333. Net assets for the fiscal year ending 2009 for governmental activities are reported at \$121,345. The net assets of our business activities are reported at \$1,456,988 for the fiscal year ending 2009.

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

The following table shows a summary of the Town's financial position at September 30, 2009.

Summary of Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Total % Change</u>
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009-2008</u>
Current and other assets	\$131,345	\$236,440	\$334,221	\$336,415	\$465,566	\$572,855	(19)%
Capital assets	-	-	1,127,951	1,168,277	1,127,951	1,168,277	(3)%
Total assets	131,345	236,440	1,462,172	1,504,692	1,593,517	1,741,132	(8)%
Current and other liabilities	10,000	62,031	5,184	8,445	15,184	70,476	(78)%
Total liabilities	10,000	62,031	5,184	8,445	15,184	70,476	(78)%
Net assets							
Invested in capital assets,							
Net of related debt	-	-	1,127,951	1,168,277	1,127,951	1,168,277	(3)%
Restricted	45,195	41,271	-	-	45,195	41,271	10 %
Unrestricted	76,150	133,138	329,037	327,970	405,187	461,108	(12)%
Total net assets	\$121,345	\$174,409	\$1,456,988	\$1,496,247	\$1,578,333	\$1,670,656	(6)%

- ✓ Decrease in current assets for governmental activities was mainly due to decreases in cash used to fund the current year's operations and pay off prior year payables.
- ✓ Current liabilities decreased as payables from the prior year were paid off.
- ✓ Decreases in capital assets were due to depreciation.

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 \$53,064. The loss was primarily due to increased costs for the public safety contracts.

The loss in business-type activities was \$39,259, and it was mainly due to depreciation expense.

The following table provides a summary of the Town's changes in net assets for the year ended September 30, 2009.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Total % Change</u>
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009-2008</u>
Revenues							
Program revenues							
Charges for services	\$360,747	\$320,482	\$138,900	\$145,200	\$499,647	\$465,682	7%
General revenues							
Property taxes	103,143	104,378	-	-	103,143	104,378	(1)%
Intergovernmental	38,977	45,660	-	-	38,977	45,660	(15)%
Utility taxes	23,219	20,445	-	-	23,219	20,445	14%
Investment and other income	4,404	4,553	6,223	5,820	10,627	10,373	2%
Total revenues	530,490	495,518	145,123	151,020	675,613	646,538	4%
Expenses							
General government	83,919	134,094	-	-	83,919	134,094	(37)%
Public safety	490,141	443,438	-	-	490,141	443,438	11%
Physical environment	8,318	14,077	-	-	8,318	14,077	(41)%
Culture and recreation	1,176	1,371	-	-	1,176	1,371	(14)%
Water and sewer	-	-	184,382	183,548	184,382	183,548	(0.5)%
Total expenses	583,554	592,980	184,382	183,548	767,936	776,528	(1)%
Change in net assets	(53,064)	(97,461)	(39,259)	(32,528)	(92,323)	(129,989)	(29)%
Net assets, beginning	174,409	271,870	1,496,247	1,528,775	1,670,656	1,800,645	(7)%
Net assets, ending	\$121,345	\$174,409	\$1,456,988	\$1,496,247	\$1,578,333	\$1,670,656	(6)%

Revenues increased by 4 percent compared to the prior year due to increases in charges for services which were increased due to increases in the cost of the contracted Police and Fire/Emergency services.

Expenses decreased by 1% mainly due to an offset between an increase in public safety caused by increases in the service contracts and a decrease in general government. In the prior year there were additional legal fees incurred which were not incurred in the current year.

Financial Analysis of the Governmental Funds

As the Town of Briny Breezes completed the year, the general fund reported a fund balance of \$76,150, a decrease of \$56,988 from the previous year. The decreased was mainly due to the current year operations and the rising costs of the public safety contracts.

The Special Revenue Fund ended the 2009 fiscal year with \$45,195 in reserved fund balances due to collections of the local option gas taxes.

General Fund Budgetary Highlights

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

Actual expenditures were \$2,663 more than the anticipated budget and revenues were \$325 less 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 2009 fiscal year.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>% Change</u>
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</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	-	-	1,613,020	1,613,020	1,613,020	1,613,020	0%
Total	<u>165,006</u>	<u>165,006</u>	<u>1,613,020</u>	<u>1,613,020</u>	<u>1,778,026</u>	<u>1,778,026</u>	0%
Accumulated depreciation	<u>(165,006)</u>	<u>(165,006)</u>	<u>(485,069)</u>	<u>(444,743)</u>	<u>(650,075)</u>	<u>(609,749)</u>	7%
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,127,951</u>	<u>\$ 1,168,277</u>	<u>\$ 1,127,951</u>	<u>\$ 1,168,277</u>	-3%

Debt

As of September 30, 2009, the Town has no debt.

Economic Factors and Next Year's Budgets and Rates

For the 2010 fiscal year, general fund expenditure projections have decreased by \$25,698 due primarily to a decrease in legal expenses net of increases in contracts for public safety services. The millage rate was increased to 10.0000 mills and the general fund budget decreased to \$555,193. The increase in the millage rate was offset by decreases in charges for services to the Corporation for the public safety contract costs. The enterprise fund's budget increased to \$188,600 due to increases in Water & 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.

TOWN OF BRINY BREEZES, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2009

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 90,057	\$ 334,221	\$ 424,278
Restricted assets:			
Cash and cash equivalents	41,288	-	41,288
Capital assets:			
Furniture and equipment	19,449	-	19,449
Leasehold improvements	145,557	-	145,557
Infrastructure	<u>-</u>	<u>1,613,020</u>	<u>1,613,020</u>
Total capital assets	165,006	1,613,020	1,778,026
Less accumulated depreciation	<u>(165,006)</u>	<u>(485,069)</u>	<u>(650,075)</u>
Total capital assets - net	<u>-</u>	<u>1,127,951</u>	<u>1,127,951</u>
Total assets	<u>131,345</u>	<u>1,462,172</u>	<u>1,593,517</u>
<u>LIABILITIES</u>			
Accounts payable	<u>10,000</u>	<u>5,184</u>	<u>15,184</u>
Total liabilities	<u>10,000</u>	<u>5,184</u>	<u>15,184</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	-	1,127,951	1,127,951
Restricted for:			
Roads and transportation	45,195	-	45,195
Unrestricted	<u>76,150</u>	<u>329,037</u>	<u>405,187</u>
Total net assets	<u>\$ 121,345</u>	<u>\$ 1,456,988</u>	<u>\$ 1,578,333</u>

See notes to basic financial statements

TOWN OF BRINY BREEZES, FLORIDA
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2009

	<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	\$ 83,919	\$ 10,958	\$ -	\$ (72,961)	\$ -	\$ (72,961)
Public safety	490,141	349,789	-	(140,352)	-	(140,352)
Physical environment	8,318	-	-	(8,318)	-	(8,318)
Culture and recreation	<u>1,176</u>	<u>-</u>	<u>-</u>	<u>(1,176)</u>	<u>-</u>	<u>(1,176)</u>
Total governmental activities	<u>583,554</u>	<u>360,747</u>	<u>-</u>	<u>(222,807)</u>	<u>-</u>	<u>(222,807)</u>
Business-type activities:						
Water & Sewer	<u>184,382</u>	<u>138,900</u>	<u>-</u>	<u>-</u>	<u>(45,482)</u>	<u>(45,482)</u>
Total business-type activities	<u>184,382</u>	<u>138,900</u>	<u>-</u>	<u>-</u>	<u>(45,482)</u>	<u>(45,482)</u>
Total	<u>\$ 767,936</u>	<u>\$ 499,647</u>	<u>\$ -</u>	<u>\$ (222,807)</u>	<u>\$ (45,482)</u>	<u>\$ (268,289)</u>
General revenues:						
Property taxes				\$ 103,143	\$ -	\$ 103,143
Utility taxes				23,219	-	23,219
Intergovernmental				38,977	-	38,977
Investment income				<u>4,404</u>	<u>6,223</u>	<u>10,627</u>
Total general revenues				<u>169,743</u>	<u>6,223</u>	<u>175,966</u>
Change in net assets				<u>(53,064)</u>	<u>(39,259)</u>	<u>(92,323)</u>
Net assets, October 1				<u>174,409</u>	<u>1,496,247</u>	<u>1,670,656</u>
Net assets, September 30				<u>\$ 121,345</u>	<u>\$ 1,456,988</u>	<u>\$ 1,578,333</u>

See notes to basic financial statements

TOWN OF BRINY BREEZES, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009

	<u>Major Fund</u>		
	<u>General</u>	Other Governmental <u>Fund</u>	Total Governmental <u>Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 90,057	\$ -	\$ 90,057
Restricted assets:			
Cash and cash equivalents	-	41,288	41,288
Due from other funds	-	3,907	3,907
Total assets	<u>\$ 90,057</u>	<u>\$ 45,195</u>	<u>\$ 135,252</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Accounts payable	\$ 10,000	\$ -	\$ 10,000
Due to other funds	<u>3,907</u>	<u>-</u>	<u>3,907</u>
Total liabilities	<u>13,907</u>	<u>-</u>	<u>13,907</u>
<u>FUND BALANCES</u>			
Unreserved, reported in:			
General fund	76,150	-	76,150
Special revenue funds	<u>-</u>	<u>45,195</u>	<u>45,195</u>
Total fund balances	<u>76,150</u>	<u>45,195</u>	<u>121,345</u>
Total liabilities and fund balances	<u>\$ 90,057</u>	<u>\$ 45,195</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>	<u>-</u>
Net assets of governmental activities (Page 8)		<u>\$ 121,345</u>

TOWN OF BRINY BREEZES, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2009

	<u>Major Fund</u>		
	<u>General</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Property taxes	\$ 103,143	\$ -	\$ 103,143
Charges for services	349,789	-	349,789
Public service taxes	23,219	-	23,219
Intergovernmental	35,070	3,907	38,977
Licenses and permits	10,958	-	10,958
Fines and forfeitures	-	-	-
Investment income	4,387	17	4,404
Total revenues	526,566	3,924	530,490
Expenditures:			
Current:			
General government	83,919	-	83,919
Public safety	490,141	-	490,141
Physical environment	8,318	-	8,318
Culture and recreation	1,176	-	1,176
Total expenditures	583,554	-	583,554
Net change in fund balances	(56,988)	3,924	(53,064)
Fund balances - beginning	133,138	41,271	174,409
Fund balances - ending	\$ 76,150	\$ 45,195	\$ 121,345

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

Net change in fund balances - total government funds \$ (53,064)

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	-	-

Change in net assets of governmental activities (Page 9) \$ (53,064)

TOWN OF BRINY BREEZES, FLORIDA

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

SEPTEMBER 30, 2009

<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 334,221
Non-current assets:	
Capital assets:	
Infrastructure	1,613,020
Less accumulated depreciation	<u>(485,069)</u>
Total capital assets - net	<u>1,127,951</u>
Total assets	<u>1,462,172</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	<u>5,184</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	1,127,951
Unrestricted	<u>329,037</u>
Total net assets	<u>\$ 1,456,988</u>

See notes to basic financial statements

TOWN OF BRINY BREEZES, FLORIDA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2009

Operating revenues:	
Charges for services	\$ 138,900
Total operating revenues	<u>138,900</u>
Operating expenses:	
Administrative costs	7,000
Operations and maintenance	42,252
Water and disposal costs	94,804
Depreciation	<u>40,326</u>
Total operating expenses	<u>184,382</u>
Operating loss	<u>(45,482)</u>
Nonoperating revenues:	
Investment income	<u>6,223</u>
Total nonoperating revenues	<u>6,223</u>
Change in net assets	(39,259)
Total net assets, October 1	<u>1,496,247</u>
Total net assets, September 30	<u><u>\$ 1,456,988</u></u>

See notes to basic financial statements.

TOWN OF BRINY BREEZES, FLORIDA
STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2009

Cash Flows From Operating Activities:	
Cash received from customers, governments and other funds	\$ 138,900
Cash paid to suppliers	<u>(147,317)</u>
Net cash (used in) operating activities	<u>(8,417)</u>
Cash Flows From Noncapital Financing Activities:	
Payments from general fund	<u>24,643</u>
Net cash provided by noncapital and related financial activities	<u>24,643</u>
Cash Flows From Investing Activities:	
Investment and other income	<u>6,223</u>
Net cash provided by investing activities	<u>6,223</u>
Net Increase in Cash and Cash Equivalents	22,449
Cash and Cash Equivalents, October 1	<u>311,772</u>
Cash and Cash Equivalents, September 30	<u>\$ 334,221</u>
Reconciliation of Operating Loss to Cash and Cash Equivalents	
Used In Operating Activities:	
Operating loss	\$ <u>(45,482)</u>
Adjustments to reconcile operating income to net cash (used in) operating activities:	
Depreciation	40,326
Change in assets and liabilities:	
Decrease in accounts payable and accrued liabilities	<u>(3,261)</u>
Total adjustments	<u>37,065</u>
Net cash (used in) operating activities	<u>\$ (8,417)</u>

See notes to basic financial statements

TOWN OF BRINY BREEZES, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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 Statement No. 39, *"Determining Whether Certain Organizations Are Component Units"*, 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 Town's 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.

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.

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, 2009 was 2.7608 mills (\$2.76 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

For the year ended September 30, 2009, the Town complied, in all material respects, with these revenue restrictions.

Excesses of expenditures over appropriations- For the year ended September 30, 2009, expenditures exceeded appropriations in the general government department (the legal level of budgetary control) of the General Fund by \$2,663. This over expenditure was funded by the 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 \$465,566.

IV. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2009 was as follows:

	Balance October 1, <u>2008</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2009</u>
Governmental activities				
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>2008</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2009</u>
Business-type activities				
Capital assets being depreciated:				
Infrastructure	<u>\$1,613,020</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,613,020</u>
Total capital assets being depreciated	1,613,020	-	-	1,613,020
Less accumulated depreciation for:				
Infrastructure	<u>(444,743)</u>	<u>(40,326)</u>	<u>-</u>	<u>(485,069)</u>
Total accumulated depreciation	<u>(444,743)</u>	<u>(40,326)</u>	<u>-</u>	<u>(485,069)</u>
Business-type activities capital assets, net	<u>\$1,168,277</u>	<u>\$(40,326)</u>	<u>\$ -</u>	<u>\$1,127,951</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.

Contractual Obligations

Police Services

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%. The Town paid \$202,800 for police services for the fiscal year ended September 30, 2009.

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 \$281,426, 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 proceeding 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 City will be determined annually through the Authority's budget process.

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. The Town entered into a new 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. On April 1, 2008 the rent increased from \$500 to \$1,000 and the total rent paid in the current fiscal year was \$12,000.

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, 2009, the Town paid approximately \$6,600 to the Corporation for these services.

The Town charged the Corporation \$195,492 for fire and emergency medical services and \$152,940 for police services during the year.

TOWN OF BRINY BREEZES, FLORIDA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive/(Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 104,556	\$ 104,556	\$ 103,143	\$ (1,413)
Charges for services	348,632	348,632	349,789	1,157
Public service taxes	15,000	15,000	23,219	8,219
Intergovernmental	47,100	47,100	35,070	(12,030)
Licenses and permits	5,000	5,000	10,958	5,958
Fines and forfeitures	1,360	1,360	-	(1,360)
Investment income	5,243	5,243	4,387	(856)
Total revenues	<u>526,891</u>	<u>526,891</u>	<u>526,566</u>	<u>(325)</u>
Expenditures:				
General government	102,100	102,100	83,919	18,181
Public safety	466,591	466,591	490,141	(23,550)
Physical environment	10,600	10,600	8,318	2,282
Culture and recreation	1,600	1,600	1,176	424
Total expenditures	<u>580,891</u>	<u>580,891</u>	<u>583,554</u>	<u>(2,663)</u>
(Deficit) of revenues under expenditures before other financing sources	<u>(54,000)</u>	<u>(54,000)</u>	<u>(56,988)</u>	<u>\$ (2,988)</u>
Other financing sources:				
Appropriations from prior year fund balance	<u>54,000</u>	<u>54,000</u>	<u>-</u>	
Net change in fund balance	-	-	(56,988)	
Fund balances, October 1	<u>133,138</u>	<u>133,138</u>	<u>133,138</u>	
Fund balances, September 30	<u>\$ 187,138</u>	<u>\$ 187,138</u>	<u>\$ 76,150</u>	

TOWN OF BRINY BREEZES, FLORIDA
NOTES TO BUDGETARY COMPARISON SCHEDULE
FISCAL YEAR ENDED SEPTEMBER 30, 2009

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, 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, 2009.

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.

Excesses of expenditures over appropriations

For the year ended September 30, 2009, expenditures exceeded appropriations in the general government department (the legal level of budgetary control) of the General Fund by \$2,663. This over expenditure was funded by the available fund balance.

TOWN OF BRINY BREEZES, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
BUDGET AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2009

	<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	\$ 138,900	\$ 138,900	\$ 138,900	\$ -
Total operating revenues	<u>138,900</u>	<u>138,900</u>	<u>138,900</u>	<u>-</u>
Operating expenses:				
Administrative costs	8,500	8,500	7,000	1,500
Operations and maintenance	41,400	41,400	42,252	(852)
Water and disposal costs	93,000	93,000	94,804	(1,804)
Depreciation	<u>-</u>	<u>-</u>	<u>40,326</u>	<u>(40,326)</u>
Total operating expenses	<u>142,900</u>	<u>142,900</u>	<u>184,382</u>	<u>(41,482)</u>
Operating income (loss)	<u>(4,000)</u>	<u>(4,000)</u>	<u>(45,482)</u>	<u>41,482</u>
Nonoperating revenues:				
Investment income	<u>4,000</u>	<u>4,000</u>	<u>6,223</u>	<u>2,223</u>
Total nonoperating revenues	<u>4,000</u>	<u>4,000</u>	<u>6,223</u>	<u>2,223</u>
Change in net assets	-	-	(39,259)	(39,259)
Total net assets, October 1	<u>1,496,247</u>	<u>1,496,247</u>	<u>1,496,247</u>	<u>-</u>
Total net assets, September 30	<u>\$ 1,496,247</u>	<u>\$ 1,496,247</u>	<u>\$ 1,456,988</u>	<u>\$ (39,259)</u>



4649 PONCE DE LEON BLVD.
SUITE 404
CORAL GABLES, FL 33146
TEL: 305-662-7272
FAX: 305-662-4266
ACC-CPA.COM

**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, 2009, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 9, 2010. 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.

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

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.

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.

Pursuant to Chapter 119, Florida Statutes, this report is public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Town's 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 & Company, LLP

June 9, 2010
Coral Gables, Florida



4649 PONCE DE LEON BLVD.
SUITE 404
CORAL GABLES, FL 33146
TEL: 305-662-7272
FAX: 305-662-4266
ACC-CPA.COM

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 (the "Town"), as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated June 9, 2010.

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 Auditors' Report on Internal Control over financial reporting and on Compliance and Other Matters. Disclosures in that report, which are dated June 9, 2010, 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. An update to findings and/or recommendations reported in the preceding annual financial report is included in the schedule of findings and responses.
- ✓ 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 findings and 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

- Prior Year Findings and Recommendations: **2007-1, 2007-2, 2007-3, and 2007-4**
 - Current Year Findings and Recommendations: **NONE**
-
- ✓ 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, 2009, 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, 2009. 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.

Pursuant to Chapter 119, Florida Statutes, this management letter is public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, Town Council, and the State of Florida Auditor General, and is not intended to be and should not be used by anyone other than these 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 & Company, LLP

June 9, 2010
Coral Gables, Florida

SECTION I – FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS

A. CURRENT YEAR FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS

SEE 2007-1, 2007-2, 2007-3 AND 2007-4

B. PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS

SIGNIFICANT DEFICIENCIES

2008-1 Miss-Posting of Account Balance

Condition:

During 2008, the Town closed all of its bank accounts and opened new accounts with a new financial institution which provides higher rates of returns. The Town also established the use of Quickbooks to account for its financial transactions and for financial reporting. When the new bank accounts were established a bank account of the Town's enterprise fund was combined and deposited with a general fund bank account. The balances were recorded in Quickbooks with the difference reported in net assets as a suspense account.

During the audit the balances were reconciled and a due to/from the general fund and the enterprise fund were created for the cash that is owed by the general fund to the enterprise fund.

Cause:

The cash accounts were combined and deposited in the general fund account and a due to/from was not created.

Effect:

The general fund's and enterprise fund's cash positions were not reported accurately during the fiscal year.

Recommendation:

We recommend that the Town transfer the funds from a general fund checking account to the enterprise fund checking account to correct each fund's cash balance. (Also see recommendation 2007-2)

Current year status:

During the current fiscal year audit we did not find such a deficiency. **This finding will not be repeated.**

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.

Current year status:

During the current fiscal year audit the Town's expenditure exceeded appropriations by approximately \$ 2,663 in the General Fund. **This finding will be repeated.**

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.

SECTION I – FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS (Continued)

B. PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS (Continued)

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.

Current year status:

One of the Town's council members prepares the bank reconciliations and they are reviewed and approved by the Town Clerk who also maintains the Town's books. However, during our testing of bank reconciliations, we noted that there was no evidence of the review and approval of the bank reconciliations. We recommend that the preparer and reviewer sign off on the bank reconciliations and date them once prepared. **This recommendation will be repeated.**

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.

Current year status:

During the current year's audit, we noted that the Town did invest its available cash in higher yielding bank accounts; however, an investment policy was not adopted. **This recommendation will be repeated.**

Management's Response:

The Town will develop an investment policy.

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.

Current year status:

The Town has not developed an accounting procedures manual. **This comment will be repeated.**

Management's Response:

We agree with the auditors' recommendation and the Town will develop an accounting and procedures manual.