

TOWN OF BRINY BREEZES, FLORIDA

BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

TOWN OF BRINY BREEZES, FLORIDA

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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

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, 2011, 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 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, each major fund, and the aggregate remaining fund information of the Town of Briny Breezes, Florida as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal 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 May 15, 2012 on our consideration of the Town's internal control over financial reporting and on 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 considered in assessing the results of our audit.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 22 through 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements as a whole. The Statement of Revenues, Expenses and Changes in Fund Net Assets-Proprietary Funds - Budget and Actual is presented for purposes of additional analysis and is not a required part of the financial statements. That statement is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Alberni Caballero & Company, LLP

Alberni Caballero & Company, LLP
Coral Gables, Florida
May 15, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)

TOWN OF BRINY BREEZES
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011

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 assets decreased 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 \$1,536,290 (net assets). Of this amount, \$439,412 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

The general fund revenues were \$572,980 at the close of fiscal year 2011. During this period and at the end of the 2011 fiscal year, the unassigned fund balance for the general fund was \$88,912 or 16% of the total general fund expenditures.

The proprietary fund revenues at the close of fiscal year 2011 were \$200,600. When taking into account the operating expenses of \$225,764 and the non-operating revenues of \$874, the net assets in the proprietary fund decreased by \$24,290.

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.

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.

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 2011 are reported at \$1,536,290. Net assets for the fiscal year ending 2010 for governmental activities are reported at \$138,491. The net assets of our business-type activities are reported at \$1,397,799 for the fiscal year ending 2011.

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

The following table shows a summary of the Town's financial position at September 30, 2011.

Summary of Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Total % Change</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011-2010</u>
Current and other assets	\$138,750	\$131,974	\$376,524	\$347,879	\$515,274	\$479,853	7%
Capital assets	-	-	1,047,299	1,087,625	1,047,299	1,087,625	(4)%
Total assets	138,750	131,974	1,423,823	1,435,504	1,562,573	1,567,478	(1)%
Current and other liabilities	259	4,791	26,024	13,415	26,283	18,206	44%
Total liabilities	259	4,791	26,024	13,415	26,283	18,206	44%
Net assets							
Invested in capital assets, Net of related debt	-	-	1,047,299	1,087,625	1,047,299	1,087,625	(4)%
Restricted	49,579	50,632	-	-	49,579	50,632	(2)%
Unrestricted	88,912	76,551	350,500	334,464	439,412	411,015	7%
Total net assets	\$138,491	\$127,183	\$1,397,799	\$1,422,089	\$1,536,290	\$1,549,272	(1)%

- ❖ Total assets decreased mainly due to depreciation of capital assets.
- ❖ Current liabilities increased slightly due to year end accruals

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 increase for governmental activities totaled \$11,308. Increase was mainly due to an increase in charges for services.

The loss in business-type activities was \$24,290, 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, 2011.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Total % Change</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011-2010</u>
Revenues							
Program revenues							
Charges for services	\$158,492	\$110,404	\$200,600	\$184,000	\$359,092	\$294,404	22%
General revenues							
Property taxes	349,310	378,568	-	-	349,310	378,568	(8)%
Intergovernmental	47,568	44,424	-	-	47,568	44,424	7%
Utility taxes	20,907	21,523	-	-	20,907	21,523	(3)%
Investment and other income	250	1,386	874	3,699	1,124	5,085	(78)%
Total revenues	576,527	556,305	201,474	187,699	778,001	744,004	5%
Expenses							
General government	75,324	53,267	-	-	75,324	53,267	41%
Public safety	474,279	486,924	-	-	474,279	486,924	(3)%
Physical environment	14,186	9,233	-	-	14,186	9,233	54%
Culture and recreation	1,430	1,043	-	-	1,430	1,043	37%
Water and sewer	-	-	225,764	222,598	225,764	222,598	1%
Total expenses	565,219	550,467	225,764	222,598	790,983	773,065	2%
Change in net assets	11,308	5,838	(24,290)	(34,899)	(12,982)	(29,061)	55%
Net assets, beginning	127,183	121,345	1,422,089	1,456,698	1,549,272	1,578,333	(2)%
Net assets, ending	\$138,491	\$127,183	\$1,397,799	\$1,422,089	\$1,536,290	\$1,549,272	(1)%

Revenues increased by 5 percent compared to the prior year due to an increase in charges for services offset by a decrease in property taxes. Charges for services in the Town's enterprise fund increased from \$184,000 to \$200,600 due to increases in water and sewer rates charged to the Town which are passed through to the residents.

Expenses increased by 2% mainly due to an offset between an increase in water & sewer charges and in legal costs and decreased public safety costs.

Financial Analysis of the Governmental Funds

As the Town of Briny Breezes completed the year, the general fund reported a fund balance of \$88,912, an increase of \$12,361 from the previous year.

The Special Revenue Fund ended the 2011 fiscal year with \$49,579 in restricted fund balance 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 \$7,691 less than the anticipated budget and revenues were \$5,330 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 2011 fiscal year.

	Governmental Activities		Business-Type Activities		Total		% Change
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</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	165,006	165,006	1,613,020	1,613,020	1,778,026	1,778,026	0%
					-		
Accumulated depreciation	<u>(165,006)</u>	<u>(165,006)</u>	<u>(565,721)</u>	<u>(525,395)</u>	<u>(730,727)</u>	<u>(690,401)</u>	6%
Total Capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,047,299</u>	<u>\$ 1,087,625</u>	<u>\$ 1,047,299</u>	<u>\$ 1,087,625</u>	4%

Debt

As of September 30, 2011, the Town has no debt.

Economic Factors and Next Year's Budgets and Rates

For the 2012 fiscal year, general fund expenditure projections have increased by \$34,266 due primarily to projected increases in legal expenses, fire services and the town clerk. The millage rate was maintained at 10.0000 mills and the general fund budget increased to \$601,176. The enterprise fund's budget decreased to \$183,511 due to decreases 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.

BASIC FINANCIAL STATEMENTS

TOWN OF BRINY BREEZES, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2011

	<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	\$ 94,084	\$ 344,025	\$ 438,109
Restricted assets:			
Cash and cash equivalents	42,136	-	42,136
Accounts receivable	-	30,000	30,000
Other receivable	2,530	2,499	5,029
Capital assets:			
Furniture and equipment	19,449	-	19,449
Leasehold improvements	145,557	-	145,557
Infrastructure	-	1,613,020	1,613,020
Total capital assets	165,006	1,613,020	1,778,026
Less accumulated depreciation	(165,006)	(565,721)	(730,727)
Total capital assets - net	-	1,047,299	1,047,299
Total assets	<u>138,750</u>	<u>1,423,823</u>	<u>1,562,573</u>
<u>LIABILITIES</u>			
Accounts payable	<u>259</u>	<u>26,024</u>	<u>26,283</u>
Total liabilities	<u>259</u>	<u>26,024</u>	<u>26,283</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	-	1,047,299	1,047,299
Restricted for:			
Roads and transportation	49,579	-	49,579
Unrestricted	<u>88,912</u>	<u>350,500</u>	<u>439,412</u>
Total net assets	<u>\$ 138,491</u>	<u>\$ 1,397,799</u>	<u>\$ 1,536,290</u>

See notes to basic financial statements

TOWN OF BRINY BREEZES, FLORIDA
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2011

	<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	\$ 75,324	\$ 18,049	\$ -	\$ (57,275)	\$ -	\$ (57,275)
Public safety	474,279	140,443	-	(333,836)	-	(333,836)
Physical environment	14,186	-	-	(14,186)	-	(14,186)
Culture and recreation	1,430	-	-	(1,430)	-	(1,430)
Total governmental activities	<u>565,219</u>	<u>158,492</u>	<u>-</u>	<u>(406,727)</u>	<u>-</u>	<u>(406,727)</u>
Business-type activities:						
Water and Sewer	225,764	200,600	-	-	(25,164)	(25,164)
Total business-type activities	<u>225,764</u>	<u>200,600</u>	<u>-</u>	<u>-</u>	<u>(25,164)</u>	<u>(25,164)</u>
Total	<u>\$ 790,983</u>	<u>\$ 359,092</u>	<u>\$ -</u>	<u>\$ (406,727)</u>	<u>\$ (25,164)</u>	<u>\$ (431,891)</u>
General revenues:						
Property taxes				\$ 349,310	\$ -	\$ 349,310
Utility taxes				20,907	-	20,907
Intergovernmental				47,568	-	47,568
Investment income				250	874	1,124
Total general revenues				<u>418,035</u>	<u>874</u>	<u>418,909</u>
Change in net assets				<u>11,308</u>	<u>(24,290)</u>	<u>(12,982)</u>
Net assets, October 1				<u>127,183</u>	<u>1,422,089</u>	<u>1,549,272</u>
Net assets, September 30				<u>\$ 138,491</u>	<u>\$ 1,397,799</u>	<u>\$ 1,536,290</u>

See notes to basic financial statements

TOWN OF BRINY BREEZES, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	<u>Major Fund</u>		
	<u>General</u>	Other Governmental <u>Fund</u>	Total Governmental <u>Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 94,084	\$ -	\$ 94,084
Restricted assets:			
Cash and cash equivalents	-	42,136	42,136
Other receivable	2,530	-	2,530
Due from other funds	-	7,443	7,443
Total assets	\$ 96,614	\$ 49,579	\$ 146,193
<u>LIABILITIES AND FUND BALANCES</u>			
Accounts payable	\$ 259	\$ -	\$ 259
Due to other funds	7,443	-	7,443
Total liabilities	7,702	-	7,702
<u>FUND BALANCES</u>			
Restricted	-	49,579	49,579
Unassigned	88,912	-	88,912
Total fund balances	88,912	49,579	138,491
Total liabilities and fund balances	\$ 96,614	\$ 49,579	

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	(165,006)	-
Net assets of governmental activities (Page 8)		\$ 138,491

TOWN OF BRINY BREEZES, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2011

	<u>Major Fund</u>		
	<u>General</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Property taxes	\$ 349,310	\$ -	\$ 349,310
Charges for services	140,408	-	140,408
Public service taxes	20,907	-	20,907
Intergovernmental	44,021	3,547	47,568
Licenses and permits	18,049	-	18,049
Fines and forfeitures	35	-	35
Investment income	250	-	250
Total revenues	<u>572,980</u>	<u>3,547</u>	<u>576,527</u>
Expenditures:			
Current:			
General government	75,324	-	75,324
Public safety	474,279	-	474,279
Physical environment	9,586	4,600	14,186
Culture and recreation	1,430	-	1,430
Total expenditures	<u>560,619</u>	<u>4,600</u>	<u>565,219</u>
Net change in fund balances	12,361	(1,053)	11,308
Fund balances - beginning	<u>76,551</u>	<u>50,632</u>	<u>127,183</u>
Fund balances - ending	<u>\$ 88,912</u>	<u>\$ 49,579</u>	<u>\$ 138,491</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	\$ 11,308
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

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

Change in net assets of governmental activities (Page 9)	<u>\$ 11,308</u>
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See notes to basic financial statements

TOWN OF BRINY BREEZES, FLORIDA

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

SEPTEMBER 30, 2011

<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 344,025
Accounts receivable	30,000
Other receivable	2,499
Non-current assets:	
Capital assets:	
Infrastructure	1,613,020
Less accumulated depreciation	<u>(565,721)</u>
Total capital assets - net	<u>1,047,299</u>
 Total assets	 <u>1,393,823</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	<u>26,024</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	1,047,299
Unrestricted	<u>350,500</u>
Total net assets	<u>\$ 1,397,799</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, 2011

Operating revenues:	
Charges for services	\$ 200,600
Total operating revenues	<u>200,600</u>
Operating expenses:	
Administrative costs	22,484
Operations and maintenance	40,582
Water and disposal costs	122,372
Depreciation	<u>40,326</u>
Total operating expenses	<u>225,764</u>
Operating loss	<u>(25,164)</u>
Nonoperating revenues:	
Investment income	<u>874</u>
Total nonoperating revenues	<u>874</u>
Change in net assets	(24,290)
Total net assets, October 1	<u>1,422,089</u>
Total net assets, September 30	<u><u>\$ 1,397,799</u></u>

See notes to basic financial statements.

TOWN OF BRINY BREEZES, FLORIDA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2011

Cash Flows From Operating Activities:	
Cash received from customers, governments and other funds	\$ 200,600
Cash paid to suppliers	<u>(205,328)</u>
Net cash used by operating activities	<u>(4,728)</u>
Cash Flows From Investing Activities:	
Investment and other income	<u>874</u>
Net cash provided by investing activities	<u>874</u>
Net Decrease in Cash and Cash Equivalents	(3,854)
Cash and Cash Equivalents, October 1	<u>347,879</u>
Cash and Cash Equivalents, September 30	<u>\$ 344,025</u>
Reconciliation of Operating Loss to Cash and Cash Equivalents	
Provided by Operating Activities:	
Operating loss	<u>\$ (25,164)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	40,326
Change in assets and liabilities:	
Increase in accounts receivable	(30,000)
Increase in other receivable	(2,499)
Increase in accounts payable and accrued liabilities	<u>12,609</u>
Total adjustments	<u>20,436</u>
Net cash used by operating activities	<u>\$ (4,728)</u>

See notes to basic financial statements

NOTES TO BASIC FINANCIAL STATEMENTS

TOWN OF BRINY BREEZES, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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 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.

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 Governmental 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 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.

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, 2011 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 Assets/Fund Balance

In accordance with GASB Statement No. 34, total equity as of September 30, 2011, is classified into three components of net assets:

- Invested in capital assets, net of related debt: 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 assets: This category consists of net assets 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 assets: This category includes all of the remaining net assets that do not meet the definition of the other two categories.

As of September 30, 2011, 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.

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.

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.

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.

7. New Accounting Pronouncement Adopted

At October 1, 2010, the Town adopted the provision of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

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, 2011, the Town complied, in all material respects, with these revenue restrictions.

Excesses of expenditures over appropriations- For the year ended September 30, 2011, expenditures exceeded appropriations in the public safety and culture and recreation departments (the legal level of budgetary control) of the General Fund by \$2,994 and \$430; respectively. These over expenditures were 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 \$480,245.

IV. RECEIVABLES

Receivables at year-end are as follows:

	<u>Accounts</u>	<u>Other</u>	<u>Totals</u>
General Fund	\$ -	\$ 2,530	\$ 2,530
Enterprise Fund	<u>30,000</u>	<u>2,499</u>	<u>32,499</u>
	<u>\$ 30,000</u>	<u>\$ 5,029</u>	<u>\$ 35,029</u>

V. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2011 was as follows:

	Balance October 1, <u>2010</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2011</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>2010</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2011</u>
Business-type activities				
Capital assets being depreciated:				
Infrastructure	\$1,613,020	\$ -	\$ -	\$1,613,020
Total capital assets being depreciated	1,613,020	-	-	1,613,020
Less accumulated depreciation for:				
Infrastructure	<u>(525,395)</u>	<u>(40,326)</u>	<u>-</u>	<u>(565,721)</u>
Total accumulated depreciation	<u>(525,395)</u>	<u>(40,326)</u>	<u>-</u>	<u>(565,721)</u>
Business-type activities capital assets, net	<u>\$1,087,625</u>	<u>\$(40,326)</u>	<u>\$ -</u>	<u>\$1,047,299</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, 2011.

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 \$281,925, 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 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 Hall meetings and business. The Town entered into a new agreement with Briny Breezes Inc. for a the term of five years (5) and nine (9) months, commencing April 1, 2008 and ending December 31, 2013. Monthly rental charges of \$1,081 for a total paid of \$12,978 for the fiscal year.

The Town charged the Corporation \$83,648 for fire and emergency medical services and \$55,500 for police services during the fiscal year.

IX. SUBSEQUENT EVENTS

Management evaluated subsequent events from October 1, 2011 through May 15, 2012, the date that the financial statements were available to be published. No events were identified during this review of subsequent events that required adjustment to or disclosure within these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BRINY BREEZES, FLORIDA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive/(Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 366,161	\$ 366,161	\$ 349,310	\$ (16,851)
Charges for services	138,924	138,924	140,408	1,484
Public service taxes	18,100	18,100	20,907	2,807
Intergovernmental	44,350	44,350	44,021	(329)
Licenses and permits	9,300	9,300	18,084	8,784
Investment income	<u>1,475</u>	<u>1,475</u>	<u>250</u>	<u>(1,225)</u>
Total revenues	<u>578,310</u>	<u>578,310</u>	<u>572,980</u>	<u>(5,330)</u>
Expenditures:				
General government	80,850	80,850	75,324	5,526
Public safety	471,285	471,285	474,279	(2,994)
Physical environment	15,175	15,175	9,586	5,589
Culture and recreation	<u>1,000</u>	<u>1,000</u>	<u>1,430</u>	<u>(430)</u>
Total expenditures	<u>568,310</u>	<u>568,310</u>	<u>560,619</u>	<u>7,691</u>
Net change in fund balance	10,000	10,000	12,361	
Fund balances, October 1	<u>76,551</u>	<u>76,551</u>	<u>76,551</u>	
Fund balances, September 30	<u>\$ 86,551</u>	<u>\$ 86,551</u>	<u>\$ 88,912</u>	

TOWN OF BRINY BREEZES, FLORIDA
NOTES TO BUDGETARY COMPARISON SCHEDULE
FISCAL YEAR ENDED SEPTEMBER 30, 2011

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, 2011.

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, 2011, expenditures exceeded appropriations in the public safety and culture and recreation departments (the legal level of budgetary control) of the General Fund by \$2,994 and \$430; respectively. These over expenditures were funded by the available fund balance.

OTHER SUPPLEMENTARY INFORMATION

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, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive/(Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Operating revenues:				
Charges for services	\$ 200,600	\$ 200,600	\$ 200,600	\$ -
Total operating revenues	<u>200,600</u>	<u>200,600</u>	<u>200,600</u>	<u>-</u>
Operating expenses:				
Administrative costs	22,500	22,500	22,484	16
Operations and maintenance	64,100	64,100	40,582	23,518
Water and disposal costs	118,000	118,000	122,372	(4,372)
Depreciation	<u>-</u>	<u>-</u>	<u>40,326</u>	<u>(40,326)</u>
Total operating expenses	<u>204,600</u>	<u>204,600</u>	<u>225,764</u>	<u>(21,164)</u>
Operating (loss)	<u>(4,000)</u>	<u>(4,000)</u>	<u>(25,164)</u>	<u>21,164</u>
Nonoperating revenues:				
Investment income	<u>4,000</u>	<u>4,000</u>	<u>874</u>	<u>(3,126)</u>
Total nonoperating revenues	<u>4,000</u>	<u>4,000</u>	<u>874</u>	<u>(3,126)</u>
Change in net assets	-	-	(24,290)	(24,290)
Total net assets, October 1	<u>1,422,089</u>	<u>1,422,089</u>	<u>1,422,089</u>	<u>-</u>
Total net assets, September 30	<u>\$ 1,422,089</u>	<u>\$ 1,422,089</u>	<u>\$ 1,397,799</u>	<u>\$ (24,290)</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 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, 2011, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated May 15, 2012. 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 Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Town's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control over financial reporting, listed as item 2011-1. A *significant deficiency* is deficiency, or 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

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

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, and the Florida Auditor General, 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
May 15, 2012



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 financial statements of the Town of Briny Breezes, Florida (the "Town"), as of and for the fiscal year ended September 30, 2011, and have issued our report thereon dated May 15, 2012.

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. We have issued our Independent Auditors' Report on Internal Control over financial reporting and on Compliance and Other Matters and the Schedule of Findings and Responses. Disclosures in that report and schedule, which are dated May 15, 2012, 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. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

- ❖ 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. Corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report except as noted under the heading prior year findings and recommendations.
- ❖ 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. In connection with our audit see recommendations in the schedule of findings and recommendations.
- ❖ 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 occurred, or are likely to have occurred, 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.

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

- ❖ Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, the following matters are required to be disclosed:
 - Status of Prior Year Findings and Recommendations: **No. 2007-2**
 - Current Year Findings and Recommendations: **No. 2011-1 and 2011-2**
- ❖ 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, 2011, 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, 2011. In connection with our audit, we determined that these two reports were in agreement.
- ❖ Pursuant to Sections 10.554(1)(i)7.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.

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, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

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

Alberni Caballero & Company, LLP

Alberni Caballero & Company, LLP
Coral Gables, Florida
May 15, 2012

SECTION I – FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS

A. CURRENT YEAR FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS

SIGNIFICANT DEFICIENCY

2011-1 Miss-posting of Transactions

Condition:

During our testing, we noted several miss postings of revenue transactions as well as assets and liability transactions. These miss postings caused reclassifications to be made between revenue accounts and assets and liability accounts.

Cause:

The Town experienced turnover of key personnel during the fiscal year ended September 30, 2011.

Effect:

Some revenues were overstated while others understated. In addition, some assets and liabilities were overstated while others understated.

Recommendation:

We recommend that the Town review its postings of revenues and assets and liability accounts to ensure recording in proper general ledger accounts. A review of all postings and classifications should be performed for the 2012 fiscal year to ensure proper recording.

Management's Response (unaudited):

The Town will review its postings of revenues and assets and liability accounts to ensure recording in proper general ledger accounts. This activity will be done immediately, and then done on a quarterly basis thereafter.

OTHER MATTERS

2011-2 Accounts Receivable

As of September 30, 2011 there is an accounts receivable balance of \$30,000 in the enterprise fund due from Briny Breezes, Inc. (the "Corporation") for utility charges to the Town's residents. The receivable is several months past due. We recommend that the Town Council review the accounts receivable balance and its collectability and determine what future action to take to regarding the outstanding balance.

Management's Response (unaudited):

The matter of the outstanding balance of \$30,000 owed to the Town from Briny Breezes, Inc. will be addressed at the next Council meeting. The Council will determine what future action should be taken.

B. PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS

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 residents 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 (unaudited):

The preparer and reviewer of the bank reconciliations will sign off on the bank reconciliation and date them once prepared. This policy will be implemented immediately.

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:

On November 17, 2011 the Town formally adopted an investment policy. **This recommendation will not be repeated.**

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:

On November 17, 2011 the Town formally adopted an accounting policies and procedures manual. **This recommendation will not be repeated.**