

Town of Ocean Breeze, Florida

ANNUAL FINANCIAL REPORT

September 30, 2015



Berger, Toombs, Elam, Gaines & Frank

Certified Public Accountants PL

Royal Palm Financial Center
Building III, Suite 321
759 South Federal Highway
Stuart, Florida 34994

772/219-0220
FAX: 772/219-0260

REPORT OF INDEPENDENT AUDITORS

To the Honorable Mayor and Council Members
Town of Ocean Breeze, Florida
Jensen Beach, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Town of Ocean Breeze, Florida as of and for the year ended September 30, 2015, and the related notes to financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Fort Pierce / Stuart

- 1 -

To the Honorable Mayor and Council Members
Town of Ocean Breeze, Florida

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Town of Ocean Breeze, Florida as of September 30, 2015, and the respective changes in financial position and the budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

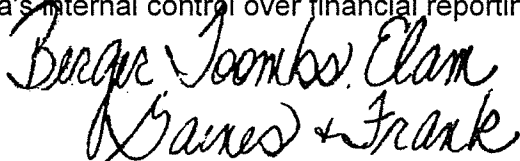
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-7 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, economical 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 principally 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 the sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 6, 2016 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Ocean Breeze, Florida's internal control over financial reporting and compliance.



Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

June 6, 2016

Town of Ocean Breeze, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2015

Our discussion and analysis of the Town of Ocean Breeze, Florida's (the Town) financial performance provides an overview of the Town's financial activities for the fiscal year ended September 30, 2015. Please read it in conjunction with the Town's Financial Statements.

FINANCIAL HIGHLIGHTS

- The net position of the Town's governmental activities increased by \$29,649 or 6.0 percent this year versus the prior year.
- Revenues for the Town's governmental activities increased by 18.7 percent while total expenses increased 3.5 percent.
- The combined governmental funds of the Town reported an increase of \$30,434, which was the result of the better than expected collection of permit fees and other fees for service.
- The actual charges to appropriations (expenditures) were \$12,341 below the final budget while resources available for appropriations (revenues) were \$56,162 over the final budget.

USING THIS ANNUAL REPORT

Reporting the Town as a Whole

The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and changes in net position. The Town's net position – the difference between assets and liabilities – is one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Town's property tax base, should be considered to assess the overall health of the Town.

In the Statement of Net Position and the Statement of Activities, we report the Town's governmental activities. All of the Town's services are reported here, including general government, public safety, and transportation. Property taxes, intergovernmental revenues, and charges for services finance most of these activities.

Town of Ocean Breeze, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2015

Reporting the Town's Most Significant Funds

The fund financial statements provide detailed information about the most significant funds. All of the Town's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are nonspendable, restricted, committed, assigned, or unassigned. These classifications of fund balance show the nature and extent of constraints placed on the Town's fund balances by law, creditors, the Town Council, and the Town's annually adopted budget. Unassigned fund balance is available for spending for any purpose. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental funds in a reconciliation at the end of the fund financial statements.

THE TOWN AS A WHOLE

Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental activities.

Table 1
Net Position

	FY 2015	FY 2014
ASSETS:		
Current and other assets	\$ 402,409	\$ 356,621
Capital assets	140,709	141,494
Total assets	543,118	498,115
 LIABILITIES		
Current liabilities	17,263	1,909
 NET POSITION		
Invested in capital assets	140,709	141,908
Restricted	64,114	63,242
Unrestricted	321,032	291,470
Total net position	\$ 525,855	\$ 496,206

**Town of Ocean Breeze, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2015**

THE TOWN AS A WHOLE (CONTINUED)

The net position of the Town's governmental activities changed 6.0 percent (\$525,855 compared to \$496,206). Unrestricted net position – the part of net position that can be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – changed from \$291,470 at September 30, 2014, to \$321,032 at September 30, 2015. The majority of this change reflects the Town's collection of better than expected charges for services.

**Table 2
Changes in Net Position**

	<u>FY 2015</u>	<u>FY 2014</u>
REVENUES:		
Program revenues:		
Operating grants and contributions	\$ 56,936	\$ 58,961
Charges for services	69,750	24,663
General revenues:		
Property taxes	109,185	114,981
Investment earnings	212	266
Total revenues	<u>236,083</u>	<u>198,871</u>
PROGRAM EXPENSES:		
General government	155,782	152,179
Public safety	47,431	43,966
Transportation	3,221	3,244
Total expenses	<u>206,434</u>	<u>199,389</u>
Increase (decrease) in net position	29,649	(518)
Net position, beginning of year	<u>496,206</u>	<u>496,724</u>
Net position, end of year	<u>\$ 525,855</u>	<u>\$ 496,206</u>

Revenues for the Town's governmental activities increased 18.7 percent (\$37,212), while total expenses increased 3.5 percent (\$7,045). As a result, the increase in net position in 2015 was \$29,649 compared to a decrease in net position in 2014 of \$518.

Property tax revenue decreased 5.0 percent (\$5,796) from the prior year. Although the Town Council approved a zero percent increase/decrease in the property tax revenue rate, the collection rate was a few percentages lower than the prior year. Furthermore, revenues from charges for services increased 182.1 percent (\$45,087) from the prior year due to better than expected collection of permit fees and other fees for service.

General government expenses increased 2.4 percent (\$3,603), public safety increased 7.9 percent (\$3,465) and transportation decreased 0.7 percent (\$23) from the prior year. Overall there were no significant changes in expenses.

**Town of Ocean Breeze, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2015**

THE TOWN'S FUNDS

As the Town completed the year, its governmental funds reported a combined fund balance of \$385,146, as compared to last year's total of \$354,712. Of the current ending fund balance, the following categories are recorded and primary uses noted in accordance with GASB 54:

- \$665 is recorded as nonspendable primarily due to prepaid expenses;
- \$64,114 is recorded as restricted for public safety and transportation;
- \$320,367 is the remaining fund balances, thus it is unassigned.

The primary reason for the increase in fund balances of the governmental funds is the better than expected collection of permit fees and other fees for service.

General Fund Budgetary Highlights

Since there were no budget amendments made to the General Fund, differences between the original budget and the final amended budget for expenditures resulted in a zero percent change.

The actual charges to appropriations (expenditures) were \$12,341 below the final budget. The most significant positive variance was in the general government area, whereby insurance costs charged were lower than expected. Resources available for appropriation (revenues) were \$56,162 over the final budgeted amount. The most significant positive variance was in the areas of licenses and permits and other fees for services, whereby actual amounts collected exceeded the amounts budgeted.

CAPITAL ASSETS AND LONG-TERM LIABILITY ADMINISTRATION

Capital Assets

At the end of 2015, the Town had \$140,709 invested in capital assets including improvements and equipment and construction in progress. This amount represents a net decrease (including additions and disposals) of \$785, or 0.6 percent less than last year as a result of depreciation expense and the Town Council's decision to invest in additional computer equipment.

**Table 3
Capital Assets at Year-End (Net of Depreciation)**

	FY 2015	FY 2014
Improvements and equipment	\$ 20,709	\$ 21,494
Construction in progress	120,000	120,000
Total capital assets	\$ 140,709	\$ 141,494

Significant additions during 2015 include \$1,349 spent for additional computer equipment.

**Town of Ocean Breeze, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2015**

Long-Term Liabilities

The Town has no long-term liabilities; rather, the Town's debt consisted primarily of amounts currently payable to outside contractors for the general government operations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's revenues are generated primarily from taxes and charges for certain building permitting, inspections and other services. These revenues are only somewhat subject to general economic conditions.

The Town's elected officials considered many factors when setting the fiscal year 2016 budget and tax rates. Amounts available for appropriation in the General Fund budget are \$183,251, a change of 9.0 percent over the final 2015 budget of \$168,084. The Town will use these revenues to finance programs we currently offer. Budgeted expenditures in 2016 are expected to be \$213,251 as compared to the final 2015 budget of \$207,025. The Town has added no major new programs or initiatives to the 2016 budget. If these estimates are realized, the Town's budgetary General Fund is expected to decrease \$30,000 from year to year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all who have an interest in this agency and to show the Town's accountability for the funds it receives. If you have any questions about this report or need additional information, contact the Town Clerk at the Town of Ocean Breeze, Florida, P.O. Box 1025, Jensen Beach, Florida 34958 or telephone (772) 334-6826.

Town of Ocean Breeze, Florida
STATEMENT OF NET POSITION
September 30, 2015

	Governmental Activities
Assets	
Current Assets	
Cash and equivalents	\$ 393,565
Accounts receivable	8,179
Prepaid expenses	665
Total Current Assets	402,409
Non-Current Assets	
Capital assets not being depreciated:	
Construction in progress	120,000
Capital assets not being depreciated:	
Improvements and equipment	38,785
Less: accumulated depreciation	(18,076)
Total Non-Current Assets	140,709
Total Assets	543,118
Liabilities	
Current Liabilities	
Accounts payable	17,263
Total Current Liabilities	17,263
Net Position	
Net investment in capital assets	140,709
Restricted for transportation	64,114
Unrestricted	321,032
Total Net Position	\$ 525,855

See accompanying notes.

Town of Ocean Breeze, Florida
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenues and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities				
General government	\$ (155,782)	\$ 65,945	\$ 48,558	\$ (41,279)
Public safety	(47,431)	3,805	-	(43,626)
Transportation	(3,221)	-	8,378	5,157
Total Governmental Activities	<u>\$ (206,434)</u>	<u>\$ 69,750</u>	<u>\$ 56,936</u>	<u>(79,748)</u>
General Revenues				
				109,185
				212
				<u>109,397</u>
				29,649
				<u>496,206</u>
				<u>\$ 525,855</u>

See accompanying notes.

Town of Ocean Breeze, Florida
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2015

	General Fund	Special Revenue Fund	Total Governmental Funds
Assets			
Cash and equivalents	\$ 329,307	\$ 64,258	\$ 393,565
Accounts Receivable	8,133	46	8,179
Prepaid expenses	665	-	665
Total Assets	\$ 338,105	\$ 64,304	\$ 402,409
 Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 17,073	\$ 190	\$ 17,263
 Fund balances:			
Nonspendable	665	-	665
Restricted for transportation	-	64,114	64,114
Unassigned	320,367	-	320,367
Total Fund Balances	321,032	64,114	385,146
Total Liabilities and Fund Balances	\$ 338,105	\$ 64,304	\$ 402,409

See accompanying notes.

Town of Ocean Breeze, Florida
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
September 30, 2015

Total Governmental Fund Balances	\$ 385,146
Capital assets not being depreciated (construction in progress (\$120,000)) and capital assets being depreciated (improvements and equipment (\$38,785) less accumulated depreciation (\$18,076)) used in governmental activities, are not financial resources and therefore, are not reported in the funds.	<u>140,709</u>
Net Position of Governmental Activities	<u><u>\$ 525,855</u></u>

See accompanying notes.

Town of Ocean Breeze, Florida
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2015

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Ad valorem taxes	\$ 109,185	\$ -	\$ 109,185
Licenses and permits	28,426	-	28,426
Intergovernmental revenues	48,558	8,378	56,936
Other fees for services	37,914	3,410	41,324
Investment earnings	163	49	212
Total Revenues	<u>224,246</u>	<u>11,837</u>	<u>236,083</u>
Expenditures			
Current:			
General government	153,648	-	153,648
Public safety	39,687	7,744	47,431
Transportation	-	3,221	3,221
Capital Outlay	1,349	-	1,349
Total Expenditures	<u>194,684</u>	<u>10,965</u>	<u>205,649</u>
Net change in fund balances	29,562	872	30,434
Fund Balances - October 1, 2014	<u>291,470</u>	<u>63,242</u>	<u>354,712</u>
Fund Balances - September 30, 2015	<u>\$ 321,032</u>	<u>\$ 64,114</u>	<u>\$ 385,146</u>

See accompanying notes.

Town of Ocean Breeze, Florida
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2015

Net Change in Fund Balances - Total Governmental Funds	\$	30,434
--	----	--------

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is capitalized and depreciated over their estimated useful lives, or until sale, transfer, or other disposal.

Expenditures for capital assets		1,349
---------------------------------	--	-------

Depreciation		<u>(2,134)</u>
--------------	--	----------------

Change in Net Position of Governmental Activities	\$	<u><u>29,649</u></u>
---	----	----------------------

See accompanying notes.

Town of Ocean Breeze, Florida
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended September 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Ad valorem taxes	\$ 108,069	\$ 108,069	\$ 109,185	\$ 1,116
Licenses and permits	1,350	1,350	28,426	27,076
Intergovernmental revenues	46,450	46,450	48,558	2,108
Other fees for services	12,040	12,040	37,914	25,874
Investment earnings	175	175	163	(12)
Total Revenues	<u>168,084</u>	<u>168,084</u>	<u>224,246</u>	<u>56,162</u>
Expenditures				
Current				
General government	160,725	160,725	153,648	7,077
Public safety	43,800	43,800	39,687	4,113
Capital outlay	2,500	2,500	1,349	1,151
Total Expenditures	<u>207,025</u>	<u>207,025</u>	<u>194,684</u>	<u>12,341</u>
Net change in fund balances	(38,941)	(38,941)	29,562	68,503
Fund Balances - October 1, 2014	<u>291,470</u>	<u>291,470</u>	<u>291,470</u>	<u>-</u>
Fund Balances - September 30, 2015	<u>\$ 252,529</u>	<u>\$ 252,529</u>	<u>\$ 321,032</u>	<u>\$ 68,503</u>

See accompanying notes.

Town of Ocean Breeze, Florida
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND
For the Year Ended September 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Intergovernmental revenues	\$ 10,000	\$ 10,000	\$ 8,378	\$ (1,622)
Other fees for services	3,410	3,410	3,410	-
Investment Interest	-	-	49	49
Total Revenues	<u>13,410</u>	<u>13,410</u>	<u>11,837</u>	<u>(1,573)</u>
Expenditures				
Current				
Transportation	5,000	5,000	3,221	1,779
Public safety	7,744	7,744	7,744	-
Total Expenditures	<u>12,744</u>	<u>12,744</u>	<u>10,965</u>	<u>1,779</u>
Net change in fund balances	666	666	872	206
Fund Balances - October 1, 2014	<u>63,242</u>	<u>63,242</u>	<u>63,242</u>	<u>-</u>
Fund Balances - September 30, 2015	<u>\$ 63,908</u>	<u>\$ 63,908</u>	<u>\$ 64,114</u>	<u>\$ 206</u>

See accompanying notes.

Town of Ocean Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Ocean Breeze, Florida ("Town") have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Town's more significant accounting policies are described below.

1. Reporting Entity

The Town is a municipal corporation organized in 1960 under the authority of Chapter 165, Florida Statutes. The Town has a mayor-council form of government and operates under a charter that was amended in 1991. The fiscal year of the Town is from October 1 to September 30, as established pursuant to Section 166.241(2), Florida Statutes. The governing body of the Town is the Town Council which is comprised of a maximum of six council members elected at large.

As required by GAAP, these financial statements present the Town (the primary government) as a stand-alone government. The reporting entity for the Town includes all functions of government in which the Town Council exercises oversight responsibility, including, but not limited to, financial interdependency, selection of governing authority, designation of management, significant ability to influence operations and accountability for fiscal matters.

Based upon the application of the above-mentioned criteria as set forth by the Governmental Accounting Standards Board the Town has identified no component units.

2. Measurement Focus and Basis of Accounting

The basic financial statements of the Town are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

a. Government-wide Financial Statements

Government-wide financial statements report all non-fiduciary information about the reporting government as a whole. These statements include all the governmental activities of the primary government. The effect of interfund activity has been removed from these statements.

Town of Ocean Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

a. Government-wide Financial Statements (Continued)

Governmental activities are supported by ad valorem taxes, utility franchise taxes and apportioned sales and fuel taxes and revenue sharing from the State of Florida as well as investment earnings. Program revenues include charges for services and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program. Amounts paid to acquire capital assets are capitalized as assets, rather than reported as capital expenditures.

b. Fund Financial Statements

The underlying accounting system of the Town is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually.

When both restricted and unrestricted resources are combined in a fund, qualified expenses are considered to be paid first from restricted resources, and then from unrestricted resources. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collected within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. Interest associated with the current fiscal period is considered to be an accrual item and so has been recognized as revenue of the current fiscal period.

Town of Ocean Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources are expended, rather than as fund assets.

3. Basis of Presentation

a. Governmental Major Funds

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

Special Revenue Fund - The Special Revenue Fund accounts for the revenues received and subsequently expended for specific purposes (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action of the Town.

b. Non-current Governmental Assets

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, requires that non-current governmental assets, such as land, buildings and improvements and equipment be reported in the governmental activities column in the government-wide statement of net assets.

Town of Ocean Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assets, Liabilities, and Net Assets or Equity

a. Cash and Investments

Chapter 280, Florida Statutes require state and local governmental units to deposit monies with financial institutions classified as "Qualified Public Depositories," whose public funds are held in a multiple financial institution pool administered by the State of Florida, whereby groups of securities pledged by the various financial institutions provide common collateral from their deposits. This pool is provided as additional insurance to the federal depository insurance and allows for additional assessments against the member institutions, providing full insurance for public deposits.

The Town is authorized to invest in those financial instruments as established by Section 218.415, Florida Statutes. The authorized investments consist of:

1. Direct obligations of the United States Treasury;
2. The Local Government Surplus Funds Trust or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperative Act of 1969;
3. Interest-bearing time deposits or savings accounts in authorized qualified public depositories;
4. Securities and Exchange Commission, registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

b. Capital Assets

The Town defines capital assets as assets with an initial, individual cost of \$500 or more and an estimated useful life in excess of one year. The valuation basis for acquired assets is historical cost and for donated assets is fair market value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed and depreciated over their useful lives beginning at the time they are placed in service.

Depreciable capital assets are depreciated using the straight-line method over estimated useful lives ranging from five (5) to thirty (30) years.

Town of Ocean Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assets, Liabilities, and Net Assets or Equity (Continued)

c. Budgets

Budgets are prepared for the governmental funds and adopted after public hearings, pursuant to Section 200.065 of the Florida Statutes. The Town utilizes the same basis of accounting for budgets as it does for revenues and expenditures in its various funds. The legal level of budgetary control is at the fund level. All budgeted appropriations lapse at year end. Formal budgets are adopted for both the general fund and the special revenue fund. As a result, deficits in the budget columns of the accompanying financial statements may occur.

d. Governmental Fund Balance

The Town adopted GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the fiscal year ended September 30, 2011. Governmental fund balances are now reported within fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purpose for which amounts in those funds can be spent. The classifications include non-spendable, restricted, committed, assigned and unassigned.

Non-Spendable Fund Balance – The classification is either not in spendable form or is legally or contractually required to remain intact.

Restricted Fund Balance – The classification includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed Fund Balance – This classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision making authority.

Assigned Fund Balance – This classification is intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned Fund Balance – This classification is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Unassigned fund balance is considered to be utilized first when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Town of Ocean Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE B – CASH AND EQUIVALENTS

All deposits are held in qualified public depositories and are included on the accompanying statement of net position and balance sheets as cash and equivalents.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town has a formal policy for custodial credit risk and they follow the provisions of Chapter 280, Florida Statutes, regarding deposits and investments. As of September 30, 2015, the Town's carrying value for deposits was \$393,565 while the bank balance was \$394,274. Exposure to custodial credit risk was as follows; Cash and equivalents are deposited in a qualified public depository in accordance with the provisions of Chapter 280, Florida Statutes, which means that all deposits are fully insured by Federal Depositors Insurance or collateralized under Chapter 280, Florida Statutes.

Cash equivalents consist principally of money market funds held in public depositories with interest rates at .10 to .15%.

The types of deposits and investments and their level of risk exposure as of September 30, 2015 were typical of these items during the fiscal year then ended. The Town considers any decline in fair value for certain investments to be temporary. In addition, the Town has the ability to hold investments to maturity that have fair values less than cost. The Town's deposits and investments are recorded at fair value, which approximates their cost.

NOTE C – AD VALOREM TAX CALENDAR

Ad Valorem tax revenues recognized for the 2014-2015 fiscal year were levied in October 2014. All taxes are due and payable on November 1 or as soon as the assessment roll is certified and delivered to the Tax Collector. Per Section 197.162, Florida Statutes, discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. Taxes paid in March are without discount.

NOTE D - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015 was as follows:

	Balance 10/01/14	Additions	Deletions	Balance 9/30/15
Capital assets, not being depreciated				
Construction in progress	\$ 120,000	\$ -	\$ -	\$ 120,000
Capital assets, being depreciated:				
Improvements and equipment	41,139	1,349	(3,703)	38,785
Accumulated depreciation	(19,645)	(2,134)	3,703	(18,076)
	<u>\$ 141,494</u>	<u>\$ (785)</u>	<u>\$ -</u>	<u>\$ 140,709</u>

Depreciation charged to general government activities was \$2,134 for the year ended 9/30/15.

Town of Ocean Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE E - ECONOMIC DEPENDENCY

A substantial portion of the Town's activity is dependent upon the continued allocation of sales, franchise and fuel taxes received from the State of Florida, the loss of which could have a materially adverse effect on the government without levying additional ad valorem taxes.

NOTE F - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts, including worker's compensation claims; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial property and liability insurance.



Berger, Toombs, Elam,
Gaines & Frank

Certified Public Accountants PL

Royal Palm Financial Center
Building III, Suite 321
759 South Federal Highway
Stuart, Florida 34994

772/219-0220

FAX: 772/219-0260

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

To the Honorable Mayor and Council Members
Town of Ocean Breeze, Florida
Jensen Beach, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Town of Ocean Breeze, Florida (the "Town") as of and for the year ended September 30, 2015, and the related notes to the financial statements and have issued our report thereon dated June 6, 2016.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting to determine the auditing procedures that are appropriate in the circumstances 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 *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 Town's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Fort Pierce / Stuart

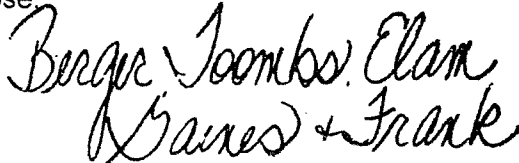
To the Honorable Mayor and Council Members
Town of Ocean Breeze, Florida

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Stuart, Florida

June 6, 2016



Berger, Toombs, Elam, Gaines & Frank

Certified Public Accountants PL

Royal Palm Financial Center
Building III, Suite 321
759 South Federal Highway
Stuart, Florida 34994

772/219-0220

FAX: 772/219-0260

Management Letter

To the Honorable Mayor and Members
of the Town Council
Town of Ocean Breeze, Florida
Jensen Beach, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Ocean Breeze, Florida (the "Town") as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated June 6, 2016.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Florida Auditor General.

Other Reports

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and our Independent Auditor's Report on an examination conducted in accordance with AICPA Professional Standards, Section 601 regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports which are dated June 6, 2016, should be considered in conjunction with this Management Letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we address in the Management Letter, if not already addressed in the auditors' report on compliance and internal controls, whether or not recommendations made in the preceding annual financial report have been followed. There were no recommendations made in the preceding audit report.

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor, requires that we apply appropriate procedures and report the results of our determination as to whether or not the Town has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the Town did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Fort Pierce / Stuart

To the Honorable Mayor and Members
of the Town Council
Town of Ocean Breeze, Florida

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial conditions assessment procedures. It is Management's responsibility to monitor the Town's financial condition; our financial condition assessment was based in part on the representations made by management and the review of financial information provided by the same.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Town for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these reports were in agreement.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the Management Letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our Management Letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Town Council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Berger Toombs Elam
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Stuart, Florida
June 6, 2016



Berger, Toombs, Elam,
Gaines & Frank

Certified Public Accountants PL

Royal Palm Financial Center
Building III, Suite 321
759 South Federal Highway
Stuart, Florida 34994

772/219-0220
FAX: 772/219-0260

Independent Accountant's Report/Compliance with Section 218.415, Florida Statutes

To the Honorable Mayor and Council Members
Town of Ocean Breeze, Florida
Jensen Beach, Florida

We have examined Town of Ocean Breeze, Florida's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2015. Management is responsible for Town of Ocean Breeze, Florida's compliance with those requirements. Our responsibility is to express an opinion on Town of Ocean Breeze, Florida's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Town of Ocean Breeze, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Town of Ocean Breeze, Florida's compliance with the specified requirements.

In our opinion, Town of Ocean Breeze, Florida's complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2015.

*Berger Toombs Elam
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

June 6, 2016



Berger, Toombs, Elam, Gaines & Frank

Certified Public Accountants PL

Royal Palm Financial Center
Building III, Suite 321
759 South Federal Highway
Stuart, Florida 34994

772/219-0220
FAX: 772/219-0260

June 6, 2016

To the Honorable Mayor and Council Members
Town of Ocean Breeze, Florida
Jensen Beach, Florida

We are pleased to provide the following information related to our audit of Town of Ocean Breeze, Florida for the year ended September 30, 2015 to assist you in your oversight responsibility of the financial reporting process.

Our responsibility under the auditing standards has been described to you in our engagement letter dated August 7, 2015.

Management is responsible for the appropriateness of the accounting policies used by the Town. During the year, no significant new accounting policies were adopted nor were there any changes in the existing accounting policies.

We did not discuss with Management, any significant or unusual transactions nor did we discuss any alternative treatments available under generally accepted accounting policies during the current audit period.

Any audit adjustments provided by Management or communicated to Management have been reported to and agreed upon by Management. If you would like a detailed listing of all audit adjustments for the current period, please contact us.

There is one immaterial uncorrected misstatement that we noted during the course of our audit. The following proposed adjustment was noted and passed by management and noted as an uncorrected misstatement by the auditors:

	<u>Dr.</u>	<u>Cr.</u>
Net Assets	\$ 3,517	
Accrued PTO		\$ 3,517

The entry was proposed to adjust accrued paid time off at October 1, 2014.

The auditors also noted that the misstatement would not change the representation that the financial statements are fairly presented as a whole.

Fort Pierce / Stuart



To the Honorable Mayor and Council Members
Town of Ocean Breeze, Florida

Page 2

There are no disagreements with Management over the application of significant accounting principles, the basis for judgments made by Management on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

We are not aware of any consultations Management had with other accountants about accounting or auditing matters.

There were no significant issues that were not resolved during the course of the audit.

We did not encounter any difficulties in dealing with Management during the audit process.

Management has made certain written representations to us as part of the audit process. Please contact us if you would like a copy of those representations.

This letter is intended solely for the information and use of the Board and Management and is not intended to be and should not be used by anyone other than the intended parties. Please contact us should you have any questions concerning this letter. We greatly appreciate the opportunity to be of service to the Town of Ocean Breeze, Florida.

*Berger Toombs Elam
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Fort Pierce, Florida

June 6, 2016