

TOWN OF BELLEAIR SHORE, FLORIDA



ANNUAL FINANCIAL REPORT  
FOR THE FISCAL  
YEAR ENDED SEPTEMBER 30, 2012

**Davidson, Jamieson & Cristini, P.L.**  
*Certified Public Accountants*

TOWN OF BELLEAIR SHORE, FLORIDA

ANNUAL FINANCIAL REPORT

FOR THE

FISCAL YEAR ENDED SEPTEMBER 30, 2012

Prepared by the  
Department of Finance

TOWN OF BELLEAIR SHORE, FLORIDA

MAYOR - COMMISSIONER - BOARD OF COMMISSIONERS FORM OF GOVERNMENT

TOWN COMMISSIONERS

John A. Robertson, Mayor - Commissioner

John E. Hayes, Jr., Commissioner

Ray Piscitelli, Commissioner

Richard D. Jordan, Commissioner

Robert E. Schmidt, Jr., Commissioner

Town Clerk and Director of Finance

Bonnie Dhonau

## **INTRODUCTORY SECTION**

TOWN OF BELLEAIR SHORE, FLORIDA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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**INTRODUCTORY SECTION**

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TOWN OF BELLEAIR SHORE, FLORIDA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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TOWN OF BELLEAIR SHORE, FLORIDA

LISTING OF TOWN OFFICIALS

ELECTED OFFICIALS

|                      |                        |
|----------------------|------------------------|
| Mayor - Commissioner | John A. Robertson      |
| Commissioner         | John E. Hayes, Jr.     |
| Commissioner         | Richard D. Jordan      |
| Commissioner         | Ray Piscitelli         |
| Commissioner         | Robert E. Schmidt, Jr. |

APPOINTED OFFICIALS

|               |               |
|---------------|---------------|
| Town Attorney | John M. Elias |
|---------------|---------------|

DEPARTMENT DIRECTORS

|            |               |
|------------|---------------|
| Town Clerk | Bonnie Dhonau |
|------------|---------------|

## **FINANCIAL SECTION**

*This section contains the following subsections:*

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements

Capital Assets Used in the Operation

of Governmental Funds



**Davidson, Jamieson & Cristini, P.L.**  
**Certified Public Accountants**

1956 Bayshore Boulevard  
Dunedin, Florida 34698-2503  
(727)734-5437 or 736-0771  
FAX (727) 733-3487

*Members of the Firm*  
John N. Davidson, CPA, CVA  
Harry B. Jamieson, CPA  
Richard A. Cristini, CPA, CPPT, CGFM  
Jeanine L. Bittinger, CPA, CPPT

Member  
American Institute of  
Certified Public Accountants  
Florida Institute of  
Certified Public Accountants

The Honorable Mayor - Commissioner  
and City Commission  
Town of Belleair Shore, Florida

**INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparisons for those major funds of the Town of Belleair Shore, Florida, as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the budgetary comparisons for those major funds of the City of Belleair Shore, Florida, as of September 30, 2012, and the respective changes in financial position and the respective budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 10, 2012 on our consideration of the City of Belleair Shore, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Honorable Mayor  
and City Council

The *accompanying management's discussion and analysis* on pages 4 through 9 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The *accompanying introductory section, and financial schedules*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The *financial schedules* have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The *introductory section* has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly we express no opinion on it.

*Davidson, Jamison & Christie, P.L.*

October 9, 2013

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## TOWN OF BELLEAIR SHORE

### Management's Discussion and Analysis September 30, 2012

As management of the Town of Belleair Shore, we offer readers of the town's financial statements this narrative overview and analysis of the town's financial activities for the fiscal year ended September 30, 2012.

#### **FINANCIAL HIGHLIGHTS**

- (A) The assets of the town exceeded its liabilities at the close of the 2012 fiscal year by \$464,815 (net assets). Of this amount, \$ 431,652 (unrestricted net assets) may be used to meet the town's ongoing operations.
- (B) The town's net assets increased by \$10,178. This increase is attributable to the town's revenues exceeding the revenues projected in the budget and the expenditures being less than the budgeted amount.
- (C) As of the close of the 2012 fiscal year, the town's general fund reported an ending fund balance of \$431,652, an increase in comparison with the prior year.
- (D) The Town of Belleair Shore is debt free.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the town's basic financial statements. The Town's basic financial statements are comprised of three components: (1) government-wide financial statements (The Town only has one fund) (2) fund financial statements, and (3) notes to the 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, using accounting methods similar to a private-sector business. These statements include all assets and liabilities on the accrual basis of accounting. All current year revenues and expenses are taken into account regardless of when the cash is received or paid.

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. The statement of activities presents information showing how the town's net assets changed during the fiscal year 2012. 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.

## TOWN OF BELLEAIR SHORE

### Management's Discussion and Analysis September 30, 2012

All of the Town's activities are governmental. The government-wide financial statements can be found on pages 11 and 12 of this report.

#### **FUND FINANCIAL STATEMENTS**

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's Fund Financial Statements consist of the general fund.

#### **GOVERNMENTAL FUNDS**

The Governmental funds are used to are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with familiar information presented for governmental activities in the government wide financial statements. By doing so, readers may better understand the long-term impact of the town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 13 through 16 of this report.

#### **NOTES TO THE FINANCIAL STATEMENTS**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 through 32 of this report.

TOWN OF BELLEAIR SHORE

Management's Discussion and Analysis  
September 30, 2012

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded liabilities by \$ 464,815 at the fiscal year ended on September 30, 2012.

The Town's capital assets represent investments in land and improvements other than buildings. Approximately 7% of the total net assets are capital assets.

The unrestricted category of net assets, with a balance of \$431,652 at year end, may be used to meet the Town's ongoing obligations to citizens and creditors and is shown in the following schedule:

**The Town's Net Assets**

|                            | Governmental Activities |            |
|----------------------------|-------------------------|------------|
|                            | 2012                    | 2011       |
| Cash and investments       | \$ 431,278              | \$ 428,852 |
| Receivables, net           | 1,722                   | 1,696      |
| Capital assets, net        | 33,163                  | 36,226     |
| Total assets               | 466,163                 | 465,774    |
| Current liabilities        | 1,348                   | 11,137     |
| Total liabilities          | 1,348                   | 11,137     |
| Net assets                 | 431,652                 | 419,411    |
| Invested in capital assets | 33,163                  | 35,226     |
| Total net assets           | \$ 464,815              | \$ 454,637 |

TOWN OF BELLEAIR SHORE

Management's Discussion and Analysis  
September 30, 2012

STATEMENT OF ACTIVITIES

The following schedule represents the revenues and expenses for the last two fiscal years.

| <b>Town of Belleair Shore's<br/>Change in Net Assets</b> |    | Governmental<br>Activities |            |
|--|----|----------------------------|------------|
|  |    | 2012                       | 2011       |
| <b>General Revenues:</b>                                 |    |                            |            |
| Property taxes   | \$ | 59,382                     | \$ 61,364  |
| Intergovernmental Revenue:                               |    |                            |            |
| State revenue sharing                                    |    | 1,304                      | 1,204      |
| Half-cent sales tax                                      |    | 5,738                      | 3,748      |
| Local option gas tax                                     |    | 833                        | 831        |
| Local option sales tax                                   |    | 5,472                      | 5,170      |
| Communication Services tax                               |    | 2,774                      | 2,718      |
| Charges for services                                     |    | 260                        | 224        |
| Investment income  |    | 1,077                      | 899        |
| Miscellaneous  |    | -                          | 154        |
| Total General Revenues                                   |    | 76,840                     | 76,312     |
| <b>Expenses:</b>   |    |                            |            |
| General Government                                       |    | 27,915                     | 36,987     |
| Public Safety  |    | 20,042                     | 19,947     |
| Physical Environment                                     |    | 13,247                     | 12,993     |
| Culture & recreation                                     |    | 5,458                      | 4,339      |
| Total expenses   |    | 66,662                     | 74,266     |
| Change in Net Assets                                     |    | 10,178                     | 2,046      |
| Net Assets - beginning of Year                           |    | 454,637                    | 452,591    |
| Net Assets - ending of year                              | \$ | 464,815                    | \$ 454,637 |

**Changes in net assets.** The Town's total general revenues were \$ 76,840 and \$76,312 in 2012 and 2011, respectively. The largest portion of the Town's revenues comes from Ad Valorem Taxes (77%) and (80%) . 21% and 18% earnings come from intergovernmental allocations and the rest is from interest.

The total cost of all programs and services was \$ 66,662 for the 2012 fiscal year. The portion of these costs for general government is 42%. The rest of the expenditures are public safety, physical environment and culture and recreation.

## TOWN OF BELLEAIR SHORE

Management's Discussion and Analysis  
September 30, 2012

### **FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **GOVERNMENTAL FUNDS**

The focus of the Town's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2012, the Town's governmental fund reported an ending fund balances of \$ 431,652, an increase of \$12,241 in comparison with the prior year. Revenues were more than the prior year. However, interest was higher than budgeted and expenses were lower than anticipated.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The Town did not revise its budget during the fiscal year. The actual revenues were \$4,547 more than budgeted. The most significant increase in revenues is attributed to the increase in intergovernmental revenue. The actual expenditures were \$19,496 less than budgeted. Law enforcement costs were less than budgeted due to utilizing less special officers. Financial & Administrative costs were significantly less than the anticipated expenses. Legal services, insurance and contingency costs were down from the prior year.



TOWN OF BELLEAIR SHORE

Management's Discussion and Analysis  
September 30, 2012

**CAPITAL ASSETS**

The Town's investment in capital assets for its governmental activities as of September 30, 2012 amounts to \$ 33,163, net of accumulated depreciation. This investment in assets includes land, and improvements other than building.

**Town of Belleair Shore, Florida**  
**Capital Assets**  
(net of accumulated depreciation)

|                                   | Governmental<br>Activities |           |
|-----------------------------------|----------------------------|-----------|
|                                   | 2012                       | 2011      |
| Land                              | \$ 21,307                  | \$ 21,307 |
| Improvements other than Buildings | 41,262                     | 41,262    |
| Total Assets                      | 62,569                     | 62,569    |
| Less accumulated depreciation     | (29,406)                   | (27,343)  |
| Total net assets                  | \$ 33,163                  | \$ 35,226 |

Additional information on the Town's capital assets can be found on page 31 of this report.

**LONG-TERM DEBT**

The Town of Belleair Shore has no long term debt.

## TOWN OF BELLEAIR SHORE

Management's Discussion and Analysis  
September 30, 2012

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Town of Belleair Shore a residential community. A steady increase in taxable value of the properties accounts to newly constructed homes and improvements to existing homes, as well as the current market sales of the properties. The appraised value used for the 2011-2012 fiscal year budget preparation will be down 12% from the 2010-2011 fiscal year. This will allow for a decrease in ad valorem taxes.

### **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact John A. Robertson, Mayor of the town of Belleair Shore, 1200 Gulf Blvd., Belleair Shore, Florida 33786-3351.

# **BASIC FINANCIAL STATEMENTS**

*This section contains the following subsections:*

## **Government-Wide Financial Statements**

Statement of Net Assets

Statement of Activities

## **Fund Financial Statements**

### **Governmental Fund Financial Statements**

Balance Sheet - Governmental Funds

Reconciliation of the Balance Sheet to the Statement of  
Net Assets - Governmental Activities

Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Governmental Fund

Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balance of Governmental Fund to the Statement of Activities -  
Governmental Activities

Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual:  
General Fund

## **Notes to Financial Statements**

TOWN OF BELLEAIR SHORE, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2012

ASSETS

|   |    |                 |
|---|----|-----------------|
| Cash and cash equivalents                         | \$ | 87,451          |
| Investments                                       |    | 343,827         |
| Receivables (net of allowance for uncollectibles) |    | 1,722           |
| Capital Assets:                                   |    |                 |
| Land  |    | 21,307          |
| Improvements other than buildings                 |    | 41,262          |
| Accumulated depreciation                          |    | <u>(29,406)</u> |
| Total Assets                                      |    | 466,163         |

LIABILITIES

|                   |  |            |
|-------------------|--|------------|
| Accounts payable  |  | 1,066      |
| Accrued payroll   |  | <u>282</u> |
| Total Liabilities |  | 1,348      |

NET ASSETS

|                            |    |                       |
|----------------------------|----|-----------------------|
| Invested in Capital Assets |    | 33,163                |
| Unrestricted               |    | <u>431,652</u>        |
| Total Net Assets           | \$ | <u><u>464,815</u></u> |

See Notes to Financial Statements.

TOWN OF BELLEAIR SHORE, FLORIDA

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

|                               | <u>Expenses</u>  | <u>Program Revenues</u><br>Charges for<br>Services | <u>Change in Net Assets</u><br>Governmental<br>Activities |
|-------------------------------|------------------|--|---|
| Function/Program Activities   |                  |  |   |
| Primary Government:           |                  |  |   |
| Governmental Activities:      |                  |  |   |
| General government            | \$ 27,915        | \$ -   | (27,915)  |
| Public Safety                 | 20,042           | 260  | (19,782)  |
| Physical environment          | 13,247           | -  | (13,247)  |
| Culture and recreation        | 5,458            | -  | (5,458)   |
| Total governmental activities | <u>66,662</u>    | <u>260</u>   | <u>(66,402)</u>   |
| Total primary government      | <u>\$ 66,662</u> | <u>\$ 260</u>                                      | <u>(66,402)</u>   |

GENERAL REVENUES:

Taxes:

Property taxes 59,382

Intergovernmental Revenues:

State revenue sharing 1,304

Half-cent sales tax 5,738

Local option gas tax 833

Local option sales tax 5,472

Communications Services tax 2,774

Investment income 1,077

Total General Revenues 76,580

Change in Net Assets 10,178

Net Assets, Beginning of Year 454,637

Net Assets, Ending of Year \$ 464,815

See Notes to Financial Statements.

TOWN OF BELLEAIR SHORE, FLORIDA

BALANCE SHEET

GOVERNMENTAL FUND

SEPTEMBER 30, 2012

ASSETS

| <u>ASSETS</u>   | <u>General Fund</u> |
|---|---------------------|
| Cash and cash equivalents                                     | \$ 87,451           |
| Investments   | 343,827             |
| Receivables (net of allowance<br>for uncollectible accounts): |                     |
| Intergovernmental:  |                     |
| State   | 687                 |
| County  | 1,035               |
|   | <hr/>               |
| TOTAL ASSETS  | \$ <u>433,000</u>   |

LIABILITIES AND FUND BALANCE

LIABILITIES AND FUND BALANCE

|                                    |                   |
|------------------------------------|-------------------|
| LIABILITIES;                       |                   |
| Accounts payable                   | \$ 1,066          |
| Accrued payroll                    | 282               |
|                                    | <hr/>             |
| TOTAL LIABILITIES                  | 1,348             |
| FUND BALANCE:                      |                   |
| Unreserved                         | 431,652           |
|                                    | <hr/>             |
| TOTAL FUND BALANCE                 | <u>431,652</u>    |
| TOTAL LIABILITIES AND FUND BALANCE | \$ <u>433,000</u> |

See Notes to Financial Statements.

TOWN OF BELLEAIR SHORE, FLORIDA

RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
GOVERNMENTAL ACTIVITIES

SEPTEMBER 30, 2012

Fund balances - total governmental fund \$ 431,652

Amounts reported for governmental activities in the statement of net assets are different because:

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

|                               |               |               |
|-------------------------------|---------------|---------------|
| Governmental capital assets   | \$ 62,569     |               |
| Less accumulated depreciation | <u>29,406</u> | <u>33,163</u> |

Net assets of governmental activities. \$ 464,815

See Notes to Financial Statements.

TOWN OF BELLEAIR SHORE, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

GOVERNMENTAL FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

|   | <u>General Fund</u>      |
|---|--------------------------|
| REVENUES:                               |                          |
| Taxes:                                  |                          |
| Ad valorem                              | \$ 59,382                |
| Intergovernmental                       | 16,121                   |
| Fines                                   | 260                      |
| Interest                                | <u>1,077</u>             |
| TOTAL REVENUES                          | 76,840                   |
| EXPENDITURES:                           |                          |
| Current:                                |                          |
| General government                      | 27,915                   |
| Public safety                           | 20,042                   |
| Physical environment                    | 13,247                   |
| Culture and recreation                  | <u>3,395</u>             |
| TOTAL EXPENDITURES                      | <u>64,599</u>            |
| EXCESS OF REVENUES<br>OVER EXPENDITURES | 12,241                   |
| FUND BALANCE,<br>OCTOBER 1              | <u>419,411</u>           |
| FUND BALANCE,<br>SEPTEMBER 30           | \$ <u><u>431,652</u></u> |

See Notes to Financial Statements.



TOWN OF BELLEAIR SHORE, FLORIDA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL ACTIVITIES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

Net change in fund balances - total governmental fund \$ 12,241

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 depreciated over their estimated useful lives.

|   |                |                         |
|---|----------------|-------------------------|
| Expenditures for capital assets                 | \$ -           |                         |
| Less current year depreciation                  | <u>(2,063)</u> | <u>(2,063)</u>          |
| Change in net assets of governmental activities |                | \$ <u><u>10,178</u></u> |

See Notes to Financial Statements.

TOWN OF BELLEAIR SHORE, FLORIDA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

|                                 | <u>Budgeted<br/>Amounts</u>       |                       | <u>Variance<br/>With</u>                         |
|---------------------------------|-----------------------------------|-----------------------|--|
|                                 | <u>Original<br/>and<br/>Final</u> | <u>Actual Amounts</u> | <u>Final Budget-<br/>Positive<br/>(Negative)</u> |
| Revenues:                       |                                   |                       |  |
| Taxes:                          |                                   |                       |  |
| Ad valorem                      | \$ 58,193                         | \$ 59,382             | \$ 1,189   |
| Intergovernmental               | 12,850                            | 16,121                | 3,271  |
| Fines                           | 250                               | 260                   | 10   |
| Interest                        | 1,000                             | 1,077                 | 77   |
| Total Revenues                  | <u>72,293</u>                     | <u>76,840</u>         | <u>4,547</u>                                     |
| Expenditures:                   |                                   |                       |  |
| Current:                        |                                   |                       |  |
| General Government:             |                                   |                       |  |
| Legislative                     | 15,245                            | 14,800                | 445  |
| Financial and administrative    | 29,050                            | 13,115                | 15,935   |
|                                 | <u>44,295</u>                     | <u>27,915</u>         | <u>16,380</u>                                    |
| Public Safety:                  |                                   |                       |  |
| Police                          | <u>22,500</u>                     | <u>20,042</u>         | <u>2,458</u>                                     |
| Physical Environment:           |                                   |                       |  |
| Public Works                    | <u>15,000</u>                     | <u>13,247</u>         | <u>1,753</u>                                     |
| Culture and Recreation:         |                                   |                       |  |
| Library                         | <u>2,300</u>                      | <u>3,395</u>          | <u>(1,095)</u>                                   |
| Total Expenditures              | <u>84,095</u>                     | <u>64,599</u>         | <u>19,496</u>                                    |
| Net Change in Fund Balance      | (11,802)                          | 12,241                | 24,043   |
| Fund Balance, Beginning of Year | <u>419,411</u>                    | <u>419,411</u>        | <u>-</u>   |
| Fund Balance, End of Year       | <u>\$ 407,609</u>                 | <u>\$ 431,652</u>     | <u>\$ 24,043</u>                                 |

See Notes to Financial Statements.

**NOTES TO**  
**FINANCIAL STATEMENTS**

TOWN OF BELLEAIR SHORE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

**1. Summary of Significant Accounting Policies**

The Town of Belleair Shore (Town) maintains its accounting records in accordance with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below:

Reporting Entity - The Town is a political subdivision of the State of Florida, located in Pinellas County in the southwest central portion of the State. The Town was incorporated in 1955. The Town was established by Charter by Chapters 67-1107 of the laws of Florida (1982). The Town is approximately 43 acres. The Town provides its citizens with police, fire, EMS, wastewater and solid waste disposal services.

In evaluating how to define the Town of Belleair Shore, Florida (the primary government), for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14.

This governmental accounting standard requires that this financial statement present the Town of Belleair Shore (the primary government) and its component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria: the primary government is accountable for the potential component unit (i.e., the primary government appoints the voting majority of its board) and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government.

The Pinellas Suncoast Fire Control District (PSFCD) provides services within the Town of Belleair Shore, but has not been included in the reporting entity because it does not meet the criteria necessary to be a component unit. The PSFCD elects its own governing Board, sets its own fee for services schedule and is completely independent of the Town of Belleair Shore.

TOWN OF BELLEAIR SHORE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

**1. Summary of Significant Accounting Policies (Continued)**

Government-Wide and Fund Financial Statements - As discussed more fully in Note 13 the Town has adopted the provisions of GASB Statement No. 34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments." 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 primary government and its component units. 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*.

Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide statements governmental activities column, a reconciliation is presented on the same page or the page following each statement, which briefly explains the adjustments necessary to reconcile the fund based financial statements to the governmental activities column of the government-wide presentation.

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*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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.

TOWN OF BELLEAIR SHORE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

**1. Summary of Significant Accounting Policies (Continued)**

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 government 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 accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Franchise taxes, 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 cash is received by the Town.

The Town reports the following major governmental fund:

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide 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.

TOWN OF BELLEAIR SHORE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

**1. Summary of Significant Accounting Policies (Continued)**

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's administrative function and various other functions of the government. Elimination of these charges would distort the direct cost and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 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.

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

Assets, Liabilities, and Net Assets or Equity:

*Deposits and investments* - The Town's cash is considered to be cash on hand, and demand deposits.

The Town's investment policy is to maintain funds in investments which yield the highest possible efficiency and return within the limitations established by Florida Statutes, Chapter 166.261. Provisions of those statutes authorize the Town to invest in:

- a) Florida State Board of Administration Local Government Pooled Investment Fund.
- b) Bonds, notes or other obligations of the United States or for which the credit of the United States is pledged for the payment thereof.

TOWN OF BELLEAIR SHORE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

**1. Summary of Significant Accounting Policies (Continued)**

- c) Interest-bearing time deposits, savings accounts or collective investment funds in banks or savings and loan associations organized under the laws of the United States.
- d) Obligations of the federal farm credit banks and the Federal Home Loan Mortgage Corporation.
- e) Obligations of the Federal National Mortgage Association and the Government National Mortgage Association.

Investments in fixed income securities are stated at fair value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Florida State Board of Administration Local Government Pooled Investment Fund has met the criteria to be considered a “2A-7 like” Investment Fund as defined by GASB Statement No. 31. Therefore, amortized cost may be used for valuation. The fair value of the Town’s investment in this pool is determined by the pool’s share price (account balance).

All tax, accounts and intergovernmental receivables are shown net of an allowance for uncollectibles.

Property Taxes - Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector.



TOWN OF BELLEAIR SHORE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

**1. Summary of Significant Accounting Policies (Continued)**

The tax levy of the Town is established by the Town Council prior to October 1 of each year and the Pinellas County Property Appraiser incorporates the Town's millages into the total tax levy, which includes the Pinellas County School Board tax requirements. The Town is permitted by state law to levy taxes up to ten mills of assessed valuation, exclusive of taxes levied for the payment of bonds. The 2012 millage rate assessed by the Town was .6646.

All property is reassessed according to its fair market value January 1 of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of State statutes.

All taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January and 1% in the month of February. The taxes paid in March are without discount.

Delinquent taxes on real property bear interest at 18% per year. On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on property. After sale, tax certificates bear interest at 18% per year or at any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years.

TOWN OF BELLEAIR SHORE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

**1. Summary of Significant Accounting Policies (Continued)**

Delinquent taxes on personal property bear interest at 18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations.

Because of the Pinellas County Tax Collector's Office efficient system for selling tax certificates and remitting the proceeds to the Town any delinquent or uncollected property taxes at year end are immaterial. The Town's tax calendar is as follows:

|                 |                           |
|-----------------|---------------------------|
| Valuation Date: | January 1                 |
| Levy Date:      | November 1                |
| Due Date:       | March 31, succeeding year |
| Lien Date:      | April 1, succeeding year  |

Capital Assets - Capital assets, which include property, plant, and equipment are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$750 (amount not rounded) and an estimated useful life in excess of two years. 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 at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred, if any, during the construction phase of capital assets of the governmental fund is not included as part of the capitalized value of the assets constructed.

TOWN OF BELLEAIR SHORE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

**1. Summary of Significant Accounting Policies (Continued)**

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u>                     | <u>Years</u> |
|-----------------------------------|--------------|
| Improvements other than buildings | 20-30        |
| Equipment                         | 5-15         |

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Net Assets - Net assets of the Governmental Activities, in the government-wide financial statements, are categorized as invested in capital assets or unrestricted. The first category represents net assets related to capital assets.

Subsequent Events - Management has adopted the provisions set forth in GASB Statement No. 56 and FASB ASU No. 2010-09, *Subsequent Events*, and considered subsequent events through the date of the audit report which is the date that the financial statements were available to be issued.

**2. Reconciliation of Government-wide and Fund Financial Statements**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds and net assets - governmental activities* as reported in the government-wide statement of net assets. The detail of this \$33,163 difference is as follows:

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

|  |                  |
|--|------------------|
| Governmental capital assets  | \$ 62,569        |
| Less accumulated depreciation  | <u>(29,406)</u>  |
| Net adjustment to increase <i>fund balance - total Governmental funds</i> to arrive at <i>net assets - Governmental activities</i> | <u>\$ 33,163</u> |

TOWN OF BELLEAIR SHORE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

**2. Reconciliation of Government-wide and Fund Financial Statements (Continued)**

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds and changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses.” The details of this \$(2,063) difference are as follows:

|   |    |                       |
|---|----|-----------------------|
| Capital outlay  | \$ | -                     |
| Depreciation expense  |    | <u>(2,063)</u>        |
| Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at changes in net assets of governmental activities | \$ | <u><u>(2,063)</u></u> |

**3. Stewardship, Compliance, and Accountability**

Budget Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and the enterprise funds and are controlled on a fund and department level. On or before May 31 of each year, all departments of the Town submit requests for appropriation to the Finance Officer so that a budget may be prepared. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. All annual appropriations lapse at fiscal year end.

TOWN OF BELLEAIR SHORE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

**3. Stewardship, Compliance, and Accountability (Continued)**

The proposed budget is presented by the Mayor to the Town Commission for review on or before July 1. The Town Commission holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the Finance Officer or the revenue estimates must be changed by an affirmative vote of a majority of the Town Commission.

The proposed budget is presented by the Mayor to the Town Commission for review on or before July 1. The Town Commission holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the Finance Officer or the revenue estimates must be changed by an affirmative vote of a majority of the Town Commission.

Expenditures may not legally exceed budgeted appropriations at the departmental level. During the year no supplementary appropriations were necessary.

Encumbrances accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

**4. Deposits**

At year-end the carrying amount of the Town's deposits was \$87,451 and the bank balance was \$88,898. The bank balance was covered by federal depository insurance and, for the amount in excess of such federal depository insurance, by the State of Florida's Security for Public Deposits Act. Provisions of the Act require that public deposits may only be made at qualified public depositories. The Act requires each qualified public depository to deposit with the State Treasurer eligible collateral equal to or in excess of the required collateral as determined by the provisions of the Act. In the event of a failure by a qualified public depository, losses in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default.

TOWN OF BELLEAIR SHORE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

**5. Investments**

The Town's investments are categorized as insured or registered or for which the securities are held by the Town or its agent in the Town's name. Investments that are not evidenced by securities that exist in physical or book-entry form include investments in open-ended mutual funds and pools managed by other governments.

The Town held the following investments as of September 30, 2012:

|   | <u>Fair Value</u>        | <u>Investment<br/>Quality</u> | <u>Duration<br/>(Years)</u> |
|---|--------------------------|-------------------------------|-----------------------------|
| Florida State Board of Administration   |                          |                               |                             |
| Local Government Pooled Investment Fund | \$ <u>343,827</u>        | Not Rated                     | N/A                         |
| Total investments                       | \$ <u><u>343,827</u></u> |                               |                             |

Interest Rate Risk - Through its investment policies the Town manages its exposure to fair value losses arising from increasing interest rates. The Town limits the effective duration of its investment portfolio to less than five years.

Credit Risk - Consistent with state law the Town's investment guidelines limit its fixed income investments other than U.S. Government securities to a quality rating of 'A' or equivalent as rated by one or more recognized bond rating service at the time of purchase.

The State Board of Administration (Board) was established on June 21, 1928, pursuant to Chapter 14486, 1929, laws of Florida. The Board was subsequently created as a constitutional body corporate on January 1, 1943, under the provisions of Senate Joint Resolution No. 324, 1941; approved by the electorate in November 1942. The Board is composed of the Governor, as Chairman, the State Treasurer, as Treasurer, and the State's Chief Financial Officer, as Secretary, and provides the following services by law: (1) investment of funds of the Florida Retirement System (FRS); (2) administration of debt service funds; (3) investment of trust and agency funds; and (4) distribution of the "Second Gas Tax."

TOWN OF BELLEAIR SHORE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

**5. Investments (Continued)**

The Local Government Pooled Investment Fund is governed by Ch. 19-7 of the Florida Administrative Code, which identifies the Rules of the State Board of Administration. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Pooled Investment Fund. Additionally, the office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration.

Since the Florida State Board of Administration (SBA) Local Government Pooled Investment Fund (Fund) typically owns a substantial amount of treasury bills and notes, the Fund has utilized security lending programs to generate supplemental income. This income is used to pay a significant portion of the fees associated with the Fund which otherwise would have to be paid from regular Fund earnings. Any residual is used to build the Fund's reserve on behalf of participants. Both of these goals have been accomplished without impacting the regular earnings in the Fund with no change in the Fund's investment strategy. The investment in the Florida SBA pool is carried at the pool's share price at September 30, 2012.

During the fiscal year ended September 30, 2007 the fund reported that 6% of the fund was held in securities that were in default, had defaulted or were extended; 8% of the fund was held in securities that were under stress due to credit issues and 86% of the fund was held in high quality money market investments. In an effort to strengthen the fund's liquidity, the fund was divided into two parts:

Fund A contained all money-market appropriate assets and

Fund B consisted of assets in default, impaired or held significant credit risk.

The SBA Board adopted the following operating policy:

1. Shareholders were allowed to redeem (with no fees) from Fund A, the greater of
  - a) up to 37% of their holdings or
  - b) \$4 million
2. Establish a public-private partnership to allow shareholders to borrow cash against their shares.

TOWN OF BELLEAIR SHORE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

**5. Investments (Continued)**

3. Shareholders that need additional funds and were not able to make use of the credit facility may redeem Fund A shares subject to redemption fees.
4. Fund B shares are not liquid nor are they tradable.

During the fiscal year ended September 30, 2012, the SBA Board announced that the fund was on track to return to full liquidity. Further, the SBA Board expects that the SBA fund securities will pay in full at maturity.

**6. Receivables**

Receivables at September 30, 2012, consist of the following:

|                                       | <u>General<br/>Fund</u> |
|---------------------------------------|-------------------------|
| Receivables:                          |                         |
| Intergovernmental                     | \$ <u>1,722</u>         |
| Gross receivables                     | 1,722                   |
| Less: Allowance for<br>uncollectibles | <u>          -</u>      |
| Net total receivables                 | \$ <u><u>1,722</u></u>  |

The receivables in the General Fund are due from State and County agencies.



TOWN OF BELLEAIR SHORE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

**7. Capital Assets**

Capital assets activity for the year ended September 30, 2012 was as follows:

|  | Balance<br>October 1,<br>2011 | Increases                | Decreases          | Balance<br>September 30,<br>2012 |
|--|-------------------------------|--------------------------|--------------------|----------------------------------|
| <u>Governmental activities:</u>              |                               |                          |                    |                                  |
| Capital assets, not being depreciated:       |                               |                          |                    |                                  |
| Land   | \$ <u>21,307</u>              | \$ _____ -               | \$ _____ -         | \$ <u>21,307</u>                 |
| Total capital assets, not being depreciated  | 21,307                        | -                        | -                  | 21,307                           |
| Capital assets, being depreciated:           |                               |                          |                    |                                  |
| Improvements other than buildings            | <u>41,262</u>                 | _____ -                  | _____ -            | <u>41,262</u>                    |
| Total capital assets, being depreciated      | 41,262                        | -                        | -                  | 41,262                           |
| Less accumulated depreciation for:           |                               |                          |                    |                                  |
| Improvements other than buildings            | <u>27,343</u>                 | <u>2,063</u>             | _____ -            | <u>29,406</u>                    |
| Total accumulated depreciation               | <u>27,343</u>                 | <u>2,063</u>             | _____ -            | <u>29,406</u>                    |
| Total capital assets, being depreciated, net | <u>13,919</u>                 | <u>(2,063)</u>           | _____ -            | <u>11,856</u>                    |
| <br>Governmental activities                  |                               |                          |                    |                                  |
| Capital assets, net                          | \$ <u><u>35,226</u></u>       | \$ <u><u>(2,063)</u></u> | \$ <u><u>-</u></u> | \$ <u><u>33,163</u></u>          |

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Culture and recreation \$ 2,063

Total depreciation expense - governmental activities \$ 2,063

TOWN OF BELLEAIR SHORE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

**8. Risk Management**

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

The Town continues to carry commercial insurance for risks of loss including health, building and contents, employee and police bonds, mobile property, flood and employee accident insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Town has not had any significant coverage reductions under these policies from the prior years.

**9. Budgetary - GAAP Reporting Reconciliation**

The accompanying financial statements present comparisons of the legally adopted budget with actual data on a GAAP (generally accepted accounting principles) basis. Accounting principles applied by the Town for purposes of developing data on a budgetary basis did not differ significantly from those used to present financial statements in conformity with generally accepted accounting principles for the year ended September 30, 2012.

**10. Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the State of Florida. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. 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.

The Town did not receive federal grant funds during the fiscal year ended September 30, 2012, and is not, therefore, subject to the program compliance audit by the grantee under the Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations".

The Town has not entered into any operating leases with scheduled rent increases as of September 30, 2012.

**CAPITAL ASSETS**  
**USED IN THE OPERATION**  
**OF GOVERNMENTAL FUND**

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TOWN OF BELLEAIR SHORE, FLORIDA

CAPITAL ASSETS USED IN THE OPERATION  
OF GOVERNMENTAL FUNDS  
SCHEDULE BY SOURCE<sup>(1)</sup>

SEPTEMBER 30, 2012

|  |                  |
|--|------------------|
| Governmental Funds Capital Assets:           |                  |
| Land   | \$ 21,307        |
| Improvements other than buildings            | <u>41,262</u>    |
| Total Governmental Funds Capital Assts       | \$ <u>62,569</u> |
| <br>   |                  |
| Governmental Funds Capital Assets by Source: |                  |
| General Fund                                 | \$ <u>62,569</u> |
| Total Governmental Funds Capital Assets      | \$ <u>62,569</u> |

(1) This schedule presents only the capital asset balances related to governmental funds.

TOWN OF BELLEAIR SHORE, FLORIDA

CAPITAL ASSETS USED IN THE OPERATION  
OF GOVERNMENTAL FUNDS  
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY<sup>(1)</sup>

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

| <u>Function and Activity</u>               | Governmental<br>Fund<br>Capital Assets<br>October 1,<br>2011 | Additions | Deductions | Governmental<br>Fund<br>Capital Assets<br>September 30,<br>2012 |
|--|--|-----------|------------|---|
| Culture and recreation                     | \$ 62,569  | \$ -      | \$ -       | \$ 62,569   |
| Total culture and recreation               | 62,569   | -         | -          | 62,569  |
| Total governmental funds<br>Capital Assets | \$ 62,569  | \$ -      | \$ -       | \$ 62,569   |

(1) This schedule presents only the capital asset balances related to governmental funds.

## **OTHER REPORTS**

**TOWN OF BELLEAIR SHORE, FLORIDA**

REPORT ON  
COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT  
OF THE BASIC FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

AND

MANAGEMENT LETTER

AND

MANAGEMENT MEMORANDUM  
ON REVIEW OF INTERNAL CONTROL STRUCTURE

September 30, 2012



**Davidson, Jamieson & Cristini, P.L.**  
**Certified Public Accountants**

1956 Bayshore Boulevard  
Indian Rocks Beach, Florida 34698-2503  
(727)734-5437 or 736-0771  
FAX (727) 733-3487

*Members of the Firm*  
John N. Davidson, CPA, CVA  
Harry B. Jamieson, CPA  
Richard A. Cristini, CPA, CPPT, CGFM  
Jeanine L. Bittinger, CPA, CPPT

Member  
American Institute of  
Certified Public Accountants  
Florida Institute of  
Certified Public Accountants

The Honorable Mayor  
and Town Commissioners  
Town of Belleair Shore, Florida

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*

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparisons for the general fund, and the aggregate remaining fund information of the Town as of and for the year ended September 30, 2012, which collectively comprise the Town's basic financial statements and have issued our report thereon dated October 9, 2013

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

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

A *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.

The Honorable Mayor  
and Town Commissioners  
Town of Belleair Shore, Florida

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 considered to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Town in a separate letter dated October 9, 2013.

This report is intended for the information of the Town of Belleair Shore, Florida and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

*Davidson, Jamieson & Crestine, P.L.*

October 9, 2013

**MANAGEMENT LETTER**

**Davidson, Jamieson & Cristini, P.L.**  
**Certified Public Accountants**

1956 Bayshore Boulevard  
Indian Rocks Beach, Florida 34698-2503  
(727)734-5437 or 736-0771  
FAX (727) 733-3487

*Members of the Firm*  
John N. Davidson, CPA, CVA  
Harry B. Jamieson, CPA  
Richard A. Cristini, CPA, CPPT, CGFM  
Jeanine L. Bittinger, CPA, CPPT

Member  
American Institute of  
Certified Public Accountants  
Florida Institute of  
Certified Public Accountants

The Honorable Mayor  
and Town Commission  
Town of Belleair Shore, Florida

We have audited the financial statements of the Town of Belleair Shore, Florida as of and for the fiscal year ended September 30, 2012 and have issued our report thereon dated October 9, 2013.

We conducted our audit in accordance with United States generally accepted auditing standards and 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 Auditor's Report on Compliance and Internal Control over Financial Reporting. Disclosures in that report, which are dated October 9, 2013, should be considered in conjunction with this management letter.

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

Those rules (Section 10.554(1)(i)(1)) require that we address in the management letter, if not already addressed in the auditor's report on internal controls and compliance, whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made on internal control and compliance issues during the preceding annual financial audit.

As required by the Rules of the Auditor General (Section 10.554(1)(i)(2)), the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Town complied with Section 218.415, Florida Statutes.

The Honorable Mayor  
and Town Commission  
Town of Belleair Shore, Florida

As required by the Rules of the Auditor General (Section 10.554(1)(i)(3)), the scope of our audit included a review of possible recommendations to improve the local government entity's financial management. In connection with our audit we did not have any such recommendations.

The Rules of the Auditor General (Section 10.554(1)(i)(4)) requires address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

The Rules of the Auditor General (Section 10.554(1)(i)(5)) 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: (a) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (b) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

The Rules of the Auditor General (Section 10.554(1)(i)(6)) requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter unless disclosed in the notes to the financial statements. Legal authority includes the general law, special acts, ordinances, resolutions, or other means by which the local government entity was created and is governed. This disclosure has been included in the Town's Comprehensive Annual Financial Report for the fiscal year ended September 30, 2012.

The Rules of the Auditor General (Section 10.554(1)(i)7(a) requires that the auditor state whether or not the governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes and identify the specific condition or conditions met. During the course of our audit of the Town's financial statements for the fiscal year ended September 30, 2012, we found that the Town did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

The Rules of the Auditor General (Section 10.554(1)(i)7(b) requires a statement as to whether or not the financial report 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 current audit period. We determined that the Comprehensive Annual Financial Report for the Town for the fiscal year ended September 30, 2012 is in agreement with the annual financial report filed with the Florida Department of Financial Services for the fiscal year ended September 30, 2012.

The Honorable Mayor  
and Town Commission  
Town of Belleair Shore, Florida

The Rules of the Auditor General (Section 10.554(1)(i)7(c) and 10.556(7)) requires that we apply 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 them.

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

*Davidson, Jamieson & Cristine, P.L.*

October 9, 2013

**MEMORANDUM ON REVIEW  
OF INTERNAL CONTROL STRUCTURE**

**Davidson, Jamieson & Cristini, P.L.**  
**Certified Public Accountants**

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Dunedin, Florida 34698-2503  
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October 9, 2013

The Honorable Mayor  
and Town Commissioners  
Town of Belleair Shore, Florida

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparisons for the general fund and the aggregate remaining fund information which collectively comprise the basic financial statements of the Town of Belleair Shore, Florida as of and for the year ended September 30, 2012, and have issued our report thereon dated October 9, 2013.

We have issued our Report on Compliance and Internal Accounting Controls in Accordance with *Government Auditing Standards* dated October 9, 2013 . Disclosures in that report, if any, should be considered in conjunction with this management memorandum.

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

In planning and performing our audit of the financial statements of Town of Belleair Shore, Florida we considered the Town's internal control structure to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we observed a matter that is an opportunity for strengthening internal control and operating efficiency.

2011-2012

2012-1            Implementation of GASB Statement 63



## 2011-2012

### **2012-1 Implementation of GASB Statement 63**

Statement 63 “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, And Net Position” is effective for the fiscal year ended September 30, 2013. This GASB will have a significant effect on the Annual Financial Report that will be issued next year. The Town’s Commissioners needs to become familiar with the new standards prior to the implementation date.

\* \* \* \* \*

This memorandum is intended solely for the use of the Town of Belleair Shore, Florida and the Florida Auditor General and is not intended to be and should not be used by anyone other than those specified parties.

We appreciate the courtesy and assistance provided to us by the Town's personnel during our audit. We will review the status of the above comments during our next audit engagement. We have already discussed many of these comments and suggestions with Town personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

*DAVIDSON, JAMIESON & CRISTINI, P.L.*

**MANAGEMENT'S RESPONSE**

# Town of Belleair Shore

## Mayor

John A. Robertson

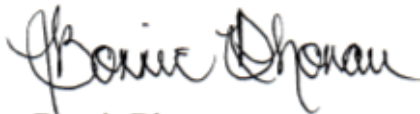
## Commissioners

John E. Hayes, Jr.  
Richard D. Jordan  
Raymond Piscitelli  
Robert E. Schmidt, Jr.

Re: Fiscal Year 2011/2012 Audit Recommendations

Management's response to current year recommendations:

It is the Town's intent to implement all new GASB pronouncements in accordance with their mandatory adoption dates. GASB Statement 63 will be implemented in the Comprehensive Annual Financial Report (CAFR) for Fiscal 2012/2013 and will be reviewed with the Town Commission to familiarize them with the new standards prior to the issuance of the CAFR.



Bonnie Dhonau  
Town Clerk/Treasurer

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**1200 Gulf Boulevard, Belleair Shore, Florida 33786-3351**  
**727-593-9296 Voice/ Fax**