

Town of Ocean Breeze, Florida

ANNUAL FINANCIAL REPORT

September 30, 2018

**Town of Ocean Breeze, Florida
ANNUAL FINANCIAL REPORT
September 30, 2018**

TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITORS	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements	
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet – Governmental Funds	9
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	10
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	13
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund	14
Notes to Financial Statements	15
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 <i>GOVERNMENT AUDITING STANDARDS</i>	25
MANAGEMENT LETTER	27
INDEPENDENT ACCOUNTANT'S REPORT/COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES	30



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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 financial statements of the Town of Ocean Breeze, Florida as of and for the year ended September 30, 2018, and the related notes to financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 -

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Ocean Breeze, Florida as of September 30, 2018, 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 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 10, 2019 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
Stuart, Florida

June 10, 2019

Town of Ocean Breeze, Florida
Management's Discussion and Analysis
September 30, 2018

As management of the Town of Ocean Breeze, Florida (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2018. The information contained in the Management's Discussion and Analysis is intended to highlight significant transactions, events and conditions and should be considered in conjunction with the Basic Financial Statements.

Financial Highlights

- The assets of the Town exceeded its liabilities at September 30, 2018 by \$347,484 (net position). Of this amount, \$244,086 (unrestricted net position) may be used to meet the Town's ongoing obligations.
- The Town's operations decreased net position by \$112,647.
- Governmental fund balances decreased by \$33.686 or 1.9 percent.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town, in a manner similar to a private-sector business. The statement of net position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements consist of the balance sheet of the governmental funds as well as the statement of revenues, expenditures and changes in fund balance of the governmental funds. The Town maintains two governmental funds, the General Fund and Special Revenue Fund. The governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances 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.

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.

**Town of Ocean Breeze, Florida
Management's Discussion and Analysis
September 30, 2018**

Town of Ocean Breeze
Statement of Net Position – Governmental Activities
September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current and other assets	\$ 538,555	\$ 660,093
Capital assets	26,316	18,330
Total assets	<u>564,871</u>	<u>678,423</u>
LIABILITIES		
Current liabilities	<u>217,387</u>	<u>218,292</u>
NET POSITION		
Invested in capital assets	26,316	18,330
Restricted	77,082	183,403
Unrestricted	244,086	258,398
	<u>\$ 347,484</u>	<u>\$ 460,131</u>

Town of Ocean Breeze
Changes in Net Position – Governmental Activities
September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
REVENUES:		
Program revenues		
Charges for services	\$ 167,845	\$ 92,467
Operating grants and contributions	1,175,454	210,244
General revenues		
Property taxes	142,948	137,599
Investment earnings	867	411
Total revenues	<u>1,487,114</u>	<u>440,721</u>
EXPENSES:		
Program expenses		
General government	255,136	239,136
Public safety	82,777	47,617
Physical environment	1,255,478	180,309
Transportation	6,370	2,455
Total expenses	<u>1,599,761</u>	<u>469,517</u>
Decrease in net position	(112,647)	(28,796)
Net position, beginning	460,131	488,927
Net position, ending	<u>\$ 347,484</u>	<u>\$ 460,131</u>

Town of Ocean Breeze, Florida
Management's Discussion and Analysis
September 30, 2018

Governmental Activities

The Town's net position decreased by \$112,647 for 2018. Total revenues increased \$1,046,393 while expenses increased by \$1,130,244 from the prior year which is mainly attributed to the following:

- \$965,210 increase in operating grants and contributions.
- \$1,075,169 increase in physical environment expenses.
- There was a slight increase of \$5,349 in property tax revenue.
- Charges for services increased \$75,378 or 45 percent.
- The Town received funding from Martin County, Indian River Lagoon Council, South Water Management District and the Florida Department of Environmental Protection to make infrastructure improvements to Indian River Drive.

Governmental Funds

The purpose of the Town's governmental fund financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. At September 30, 2018, the Town's Governmental Funds reported an ending fund balance of \$296,365, which was a \$33,686 decrease in comparison to the prior year. Of this amount, \$176,002 or 59 percent is unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is non-spendable (\$13,654) or restricted or assigned for specific purposes (\$106,709).

Budgetary Highlights

Differences between the original budget and the final expenditure budget resulted in a 8 percent increase (\$148,800). The budget amendments were a result of anticipated additional funding and expenditures related to the Indian River Drive infrastructure improvement project.

The actual charges to appropriations were \$194,166 below budget while the actual revenue received was \$183,922 below budget. The net result was a positive variance of \$10,244.

Capital Assets and Debt

Capital assets. The Town's investment in capital assets for its governmental activities at September 30, 2018, amounts to \$26,316 (net of accumulated depreciation). The Town added \$11,805 in improvements and equipment.

**Town of Ocean Breeze, Florida
Management's Discussion and Analysis
September 30, 2018**

Town of Ocean Breeze
Capital Assets
(net of depreciation)

	2018	2017
Improvements and equipment	\$ 26,316	\$ 17,273
Construction in progress	-	1,057
Total capital assets	\$ 26,316	\$ 18,330

Debt. The Town has no debt outstanding at September 30, 2018.

Economic Factors and Next Year's Budgets and Rates

For fiscal year 2019, the Town Council adopted a General Fund budget of \$420,785 representing a \$1,064,105 decrease from the original budget for fiscal year 2018. The 2018 fiscal year budget included one-time grants and contributions for the Indian River Drive infrastructure project.

The Town will see an increase in the property tax base as the Ocean Breeze West homes are completed. Property taxes represent approximately 40.5 percent of the 2019 budgeted operating revenues of the Town. The balance of revenues comes from intergovernmental revenues and licenses and permits.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances and to demonstrate the Town's accountability. Questions concerning information provided in this report or requests for additional financial information should be directed to the Town Clerk at the Town of Ocean Breeze, Florida, PO Box 1025, Jensen Beach, Florida 34958 or telephone (772) 334-6826.

Town of Ocean Breeze, Florida
STATEMENT OF NET POSITION
September 30, 2018

	Governmental Activities
Assets	
Current Assets	
Cash and equivalents	\$ 464,654
Accounts receivable	60,247
Prepaid expenses	12,704
Total Current Assets	537,605
Non-Current Assets	
Deposits	950
Capital assets being depreciated:	
Improvements and equipment	48,760
Less: accumulated depreciation	(22,444)
Total Non-Current Assets	27,266
Total Assets	564,871
 Liabilities	
Current Liabilities	
Accrued expenses	171,562
Unearned revenues	45,825
	217,387
 Net Position	
Net investment in capital assets	26,316
Restricted for transportation	77,082
Unrestricted	244,086
Total Net Position	\$ 347,484

See accompanying notes.

Town of Ocean Breeze, Florida
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2018

<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	\$ (255,136)	\$ 167,574	\$ 32,491	\$ (55,071)
Public safety	(82,777)	271	-	(82,506)
Physical Environment	(1,255,478)	-	1,130,528	(124,950)
Transportation	(6,370)	-	12,435	6,065
Total Governmental Activities	<u>\$ (1,599,761)</u>	<u>\$ 167,845</u>	<u>\$ 1,175,454</u>	<u>(256,462)</u>
General Revenues				
				142,948
				867
				<u>143,815</u>
				(112,647)
				460,131
				<u>\$ 347,484</u>

See accompanying notes.

Town of Ocean Breeze, Florida
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2018

	General Fund	Special Revenue Fund	Total Governmental Funds
Assets			
Cash and equivalents	\$ 387,572	\$ 77,082	\$ 464,654
Accounts Receivable	35,444	-	35,444
Prepaid expenses	11,962	742	12,704
Deposits	950	-	950
Total Assets	\$ 435,928	\$ 77,824	\$ 513,752
 Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 171,562	\$ -	\$ 171,562
Unearned revenue	45,825	-	45,825
	\$ 217,387	\$ -	\$ 217,387
 Fund balances:			
Nonspendable	12,912	742	13,654
Restricted for transportation	-	77,082	77,082
Assigned - permits	29,627	-	29,627
Unassigned	176,002	-	176,002
Total Fund Balances	218,541	77,824	296,365
Total Liabilities and Fund Balances	\$ 435,928	\$ 77,824	\$ 513,752

See accompanying notes.

Town of Ocean Breeze, Florida
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
September 30, 2018

Total Governmental Fund Balances	\$ 296,365
Capital assets being depreciated (improvements and equipment (\$48,760) less accumulated depreciation (\$22,444)) used in governmental activities, are not financial resources and therefore, are not reported in the funds.	26,316
Revenues that do not meet the reporting requirements at the fund level are not current financial resources and therefore are not reported in the funds.	<u>24,803</u>
Net Position of Governmental Activities	<u><u>\$ 347,484</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, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Ad valorem taxes	\$ 142,948	\$ -	\$ 142,948
Licenses and permits	89,197	-	89,197
Intergovernmental revenues	30,903	12,435	43,338
Charges for services	80,235	-	80,235
Government grants	774,153	-	774,153
Government match	260,250	-	260,250
Private contributions	71,322	-	71,322
Investment earnings	760	107	867
Total Revenues	<u>1,449,768</u>	<u>12,542</u>	<u>1,462,310</u>
Expenditures			
Current:			
General government	252,373	-	252,373
Public safety	82,777	-	82,777
Physical environment	1,143,728	-	1,143,728
Transportation	-	6,370	6,370
Capital Outlay	10,748	-	10,748
Total Expenditures	<u>1,489,626</u>	<u>6,370</u>	<u>1,495,996</u>
Net change in fund balances	(39,858)	6,172	(33,686)
Fund Balances - October 1, 2017	<u>258,399</u>	<u>71,652</u>	<u>330,051</u>
Fund Balances - September 30, 2018	<u>\$ 218,541</u>	<u>\$ 77,824</u>	<u>\$ 296,365</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, 2018

Net Change in Fund Balances - Total Governmental Funds	\$	(33,686)
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p>		
<p>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.</p>		
Depreciation		(2,762)
Purchases of capital assets		10,748
Some revenues reported in the statement of activities do not meet the reporting requirements at the fund level and, therefore are not reported in the funds.		24,803
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.		(111,750)
		(111,750)
Change in Net Position of Governmental Activities	\$	(112,647)

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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Ad valorem taxes	\$ 143,290	\$ 141,290	\$ 142,948	\$ 1,658
Licenses and permits	50,100	86,100	89,197	3,097
Intergovernmental revenues	24,700	26,700	30,903	4,203
Charges for services	63,500	79,500	80,235	735
Grants and contributions	1,203,200	1,300,000	1,105,725	(194,275)
Investment earnings	100	100	760	660
Total Revenues	<u>1,484,890</u>	<u>1,633,690</u>	<u>1,449,768</u>	<u>(183,922)</u>
Expenditures				
Current				
General government	230,500	282,500	252,373	30,127
Public safety	88,792	88,792	82,777	6,015
Physical environment	1,203,200	1,300,000	1,143,728	156,272
Capital outlay	12,500	12,500	10,748	1,752
Total Expenditures	<u>1,534,992</u>	<u>1,683,792</u>	<u>1,489,626</u>	<u>194,166</u>
Net change in fund balances	(50,102)	(50,102)	(39,858)	10,244
Fund Balances - October 1, 2017	<u>258,399</u>	<u>258,399</u>	<u>258,399</u>	<u>-</u>
Fund Balances - September 30, 2018	<u>\$ 208,297</u>	<u>\$ 208,297</u>	<u>\$ 218,541</u>	<u>\$ 10,244</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, 2018

	<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	\$ 12,435	\$ 2,435
Investment Interest	-	-	107	107
Total Revenues	<u>10,000</u>	<u>10,000</u>	<u>12,542</u>	<u>2,542</u>
Expenditures				
Current				
Physical environment	40,000	34,000	-	34,000
Transportation	5,000	11,000	6,370	4,630
Total Expenditures	<u>45,000</u>	<u>45,000</u>	<u>6,370</u>	<u>4,630</u>
Net change in fund balances	(35,000)	(35,000)	6,172	7,172
Fund Balances - October 1, 2017	<u>71,652</u>	<u>71,652</u>	<u>71,652</u>	<u>-</u>
Fund Balances - September 30, 2018	<u>\$ 36,652</u>	<u>\$ 36,652</u>	<u>\$ 77,824</u>	<u>\$ 7,172</u>

See accompanying notes.

Town of Ocean Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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 has adopted GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Governmental fund balances are 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, 2018

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, 2018, the Town's carrying value for deposits was \$464,654 while the bank balance was \$483,503. 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 .05 to .15%.

The types of deposits and investments and their level of risk exposure as of September 30, 2018 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 2017-2018 fiscal year were levied in October 2017. 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 – PREPAID EXPENSES

As of September 30, 2018 prepaid expenses consisted of the following:

Prepaid utilities	\$ 742
Prepaid insurance	<u>11,962</u>
Total	<u>\$ 12,704</u>

Town of Ocean Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018 was as follows:

	Balance 10/01/17	Additions	Deletions	Balance 9/30/18
Capital assets, not being depreciated:				
Construction in progress	\$ 1,057	\$ -	\$ (1,057)	\$ -
Capital assets, being depreciated:				
Improvements and equipment	36,955	\$ 11,805	\$ -	\$ 48,760
Accumulated depreciation	(19,682)	(2,762)	-	(22,444)
	<u>\$ 18,330</u>	<u>\$ 9,043</u>	<u>\$ (1,057)</u>	<u>\$ 26,316</u>

Depreciation charged to general government activities was \$2,762 for the year ended 9/30/18.

NOTE F - COMMITMENTS

Cost Reimbursable Subcontract Agreement

The Town entered into a Cost Reimbursable Agreement with Cape Canaveral Scientific, Inc. (CCS) for grant management services related to the Ocean Breeze Indian River Lagoon Stormwater Quality Retrofit Project (Project). The Project is supported by funding from the State of Florida 2015/2016 General Appropriations Act; the Fiscal Year 2016 TMDL Water Quality Restoration Act; and the 2014 South Florida Water Management District Indian River Lagoon License Plate Funding Agreement. The grants are administered and paid by the Florida Department of Environmental Protection (FDEP) and the South Florida Water Management District. As part of the agreement CCS agrees to provide all the necessary qualified personnel, equipment and materials to perform the work described in the agreement. As part of the agreement the Town agreed to pay CCS on a cost reimbursement basis.

Cost Share Agreement for the Ocean Breeze Indian River Lagoon Stormwater Quality Retrofit Project

The Town has entered into an agreement with the Indian River Lagoon Council. The Indian River Lagoon Council provided cost share funding to the Town for the purposes of the project. The Town, as recipient and in partnership with Martin County, constructed a treatment train project with bio-swale excavation, a baffle box installation, exfiltration pipe, and additional storm water improvements. Upon satisfactory completion of the project, the Council paid the Town approximately 12% of the total cost of the project, which amounted to \$180,000. The Town agreed to provide \$1,315,000 in the form of cash and /or in-kind services for the project and cost sharing funds from other agencies. This project is part of a \$5,000,000 community altering improvement project to remove 500 septic tanks and replace with a new sewer system and remove 500 mobile homes and replace with 350 bungalow-style constructed homes. The treatment system was constructed along Indian River Drive from Jensen Beach through Ocean Breeze and should remove 65% of the pollutants flowing to the Indian River Lagoon. The \$1,315,000 provided by the Town is funded through cost sharing agreements with the following agencies: \$560,000 from the Florida Department of Environmental Protection; \$150,000 from a State of Florida Legislative Appropriation; \$66,171 from the South Florida Water Management District Lagoon License Plate Program; \$75,000 from the Town's General Fund and \$463,829 from the Town in a cost sharing agreement with Martin County.

Town of Ocean Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE F – COMMITMENTS (CONTINUED)

Cost Share Agreement for the Ocean Breeze Indian River Lagoon Stormwater Quality Retrofit Project (Continued)

As part of the Project the Town required Pre-Construction (Bidding) and Post Construction services which are provided by CAPTEC Engineering in the form of Bid Documents, including Cost Estimates, Bid Forms, Technical Specifications, and Bidding Assistance. The cost of these services should not exceed \$100,000.

Right of Way Maintenance Agreement

In 2012 the Town entered into an Interlocal Agreement with Martin County for the purpose of assigning each party its responsibilities for the design, permitting, and construction of certain traffic improvements along NE Indian River Drive, which is a County road within Town limits. In July 2016, the agreement was amended to incorporate stormwater management and treatment components to the traffic calming project. The Project includes enhanced landscaping and irrigation, a stormwater treatment facility with a bioswale, decorative lighting and textured pavement. All maintenance, repair, and replacement of the aforementioned enhanced landscape improvements and the bioswale shall be the sole responsibility of the Town. All maintenance, repair, and replacement of the irrigation system shall be the sole responsibility of the Town, including, but not limited to, ensuring that the irrigation system is kept in proper working order. All aesthetic maintenance of the roadway textured pavement shall be the sole responsibility of the Town. Should the Town be unable or unwilling to complete the required maintenance work, the County may complete or contract to have such maintenance performed and bill the Town for all costs incurred. The County agrees to provide written notice of its intent to perform such maintenance at least five days in advance of performing the work.

Interlocal Agreement Between Martin County and the Town of Ocean Breeze

The Town has entered into an Interlocal agreement with Martin County concerning the enhanced roadway and stormwater improvement project. The Town has requested that the County agree to construct the expanded project as well as provide interim funding for the Project costs pending reimbursement from the granting agencies. The Town has agreed to provide, at its sole cost and expense, designs, plans and technical specifications necessary for the County to bid and oversee construction of the Project in accordance with all applicable Federal, State and County laws, rules and regulations. The Town has provided \$120,000 to the County and has agreed that the funds will be used for the Project and will go towards the Town's matching requirements. The County has budgeted \$252,000 for the roadway enhancement project and has amended its Capital Improvement Plan and its budget so the funds may be used for the expanded project. The Town has agreed to be solely responsible for all remaining costs and expenses associated with construction of the Project including items not reimbursed by subject grants. The Town and the County have agreed to cooperate in the

Town of Ocean Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE F – COMMITMENTS (CONTINUED)

Interlocal Agreement Between Martin County and the Town of Ocean Breeze (Continued)

implementation of the project whereby the County will contract and oversee the Project on the Town's behalf. In the event that there is a funding shortfall, the Town agrees that it will annually remit to Martin County a minimum of \$5,000 until the entire shortfall amount is repaid to the County. The County shall be responsible for any maintenance and repair of improvements within the County's right-of-way and easements with the exception that the Town shall pay \$1,000 per year toward the maintenance, repair and electrical usage of all lighting improvements located in the County right-of-way specifically added as a part of this project. The Interlocal Agreement terminates the original Interlocal Agreement dated October 9, 2012 between the Town and Martin County.

NOTE G – FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION GRANT

The Town entered into an agreement with the Florida Department of Environmental Protection (FDEP) for FDEP to provide financial assistance for the Ocean Breeze Indian River Lagoon Stormwater Quality Retrofit Project. The original agreement was amended on January 4, 2017. As part of the amended agreement and as consideration for the satisfactory completion of services rendered by the Town, FDEP shall pay the Town on a cost reimbursement basis up to a maximum of \$715,000 towards the total estimated project cost of \$1,495,000. The parties agree that this agreement requires at least a 52% match on the part of the Town. Therefore, the Town is responsible for providing \$780,000 through cash or third party in-kind contributions. It is understood that any additional funds necessary for the completion of the project are the responsibility of the Town. Grant funds received or receivable from FDEP from project inception through September 30, 2018 amount to \$552,785. Matching requirements have been met by the Town for all project activity through September 30, 2018. This agreement is in effect for project activity through the revised expiration date of December 31, 2019.

NOTE H - LEASES

The Town has committed to an office space lease for a term of five years and five months, commencing on August 15, 2017 and ending January 31, 2023. The Town will occupy the premises rent free from August 15, 2017 to January 31, 2018, with payments commencing in February 2018. The lease has a base monthly payment of \$950 with annual increases of 3% culminating in a monthly payment of \$1,069 for the period ending January 31, 2023. The Town has also committed to a copier lease with a monthly rental payment of \$123 through 2021.

Future minimum rental payments are as follows:

Fiscal Year ending September 30,	
2019	\$ 13,104
2020	13,453
2021	14,181
2022	12,707
2023	<u>4,276</u>
Total minimum future rental payments	<u>\$ 57,721</u>

Town of Ocean Breeze, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE I - 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 J - 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.



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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, 2018, and the related notes to the financial statements and have issued our report thereon dated June 10, 2019.

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 charges 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.

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*

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

June 10, 2019



Berger, Toombs, Elam, Gaines & Frank

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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, 2018, and have issued our report thereon dated June 10, 2019.

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 Reporting Requirements

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, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports which are dated June 10, 2019, 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.

Prior Audit Finding 2017-1: After the close of books in fiscal year 2016/17 it was determined that expenditures for Physical Environment were greater than the amended budget amount by \$107,059. This resulted in a violation of Section 166.241(2), Florida Statutes regarding original and amended budgets.

Town of Ocean Breeze, Florida
Jensen Beach, Florida

It was recommended that the Town establish procedures to determine that all transactions or activity for a fiscal year are properly recognized in the accounting records before approving the final amended budget.

Management Response

Town management agrees with Finding 2017-01 and has established procedures to determine that all transactions or activity for each fiscal year are properly recognized in the accounting records before amending the final budget. This will include contacting significant vendors at year end to request all invoices for activity performed up to year end be provided to the Town as soon as possible to allow for the Town to finalize the budget prior to the end of the statutory period for amending the final budget.

Conclusion

The Town has implemented procedures in response to Finding 2017-01 and it is no longer considered a finding for the year ended September 30, 2018.

There were no additional recommendations made in the preceding audit report.

Financial Condition and Management

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), FL Statutes. 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.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Town of Ocean Breeze, Florida
Jensen Beach, Florida

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 10, 2019



Berger, Toombs, Elam, Gaines & Frank

Certified Public Accountants PL

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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, 2018. 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, 2018.

*Berger Toombs Elam
Gaines + Frank*

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

June 10, 2019