

**BAREFOOT BAY RECREATION DISTRICT, FLORIDA**

**Annual Financial Report**

September 30, 2007

## **BAREFOOT BAY RECREATION DISTRICT**

### **Board of Trustees**

Chairperson:	Tom Guinther
First Chairperson:	James E. Farrell
Second Chairperson:	Joseph Klosky
Secretary:	Robert Peet
Treasurer:	Louise Crouse
Trustee:	John McAfee
Trustee:	Charles W Mershon

# CONTENTS

---

	<u>Page Number</u>
<b>Independent Auditor's Report</b>	1
<b>Management's Discussion and Analysis (Unaudited)</b>	i-iv
<b>Basic Financial Statements</b>	
Statement of Net Assets and Governmental Funds Balance Sheets	3
Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances	4
Notes to Financial Statements	5
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule – General Fund	15
<b>Compliance Section</b>	
Report of Independent Certified Public Accountants 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>	16
Independent Auditor's Management Letter	22



## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Barefoot Bay Recreation District  
Barefoot Bay, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Barefoot Bay Recreation District, Florida, (the "District") as of and for the year ended September 30, 2007, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 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 and each major fund of the District as of September 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2009 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Trustees  
Barefoot Bay Recreation District

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Moore Stephens Lovelace, P.A.

Certified Public Accountants

Orlando, Florida  
April 10, 2009

**BAREFOOT BAY RECREATION DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended September 30, 2007

Our discussion and analysis of Barefoot Bay Recreation District's (the "BBRD") financial performance presents an overview of the BBRD's activities for the fiscal year ended September 30, 2007. Please read it in conjunction with the financial statements following this Management's Discussion and Analysis ("MD&A"), the Auditor's Management Letter with comments, and BBRD's response to those comments.

**Overview of the Financial Statements**

The organization-wide and fund financial statements are combined for this annual report as all activities of the BBRD are governmental activities. The report consists of the organization-wide and fund statements, notes to the financial statements and required supplementary information. The statements are designed to provide readers with a broad overview of the BBRD's finances, in a manner similar to a private-sector business.

The Statement of Net Assets and Governmental Fund Balance Sheet presents information on all of the BBRD'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 the financial position of the BBRD.

The Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance presents information showing how the BBRD's net assets changed during the most recent fiscal year. The BBRD uses the economic resources measurements focus and the accrual basis of accounting. All changes in net assets are reported as the underlying event giving rise to the change, 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 (i.e. grants receivable and earned but unused vacation leave). These governmental activities are primarily supported by member assessments and charges for services.

It was the intention of the Governmental Accounting Standards Board, when it issued Statement No. 34, to institute significant changes in the way local governmental units account for their finances. It was a decision designed to make local government more "business like" in its approach to reporting financial conditions. The use of depreciation, more commonly used in business for tax purposes, and the netting of long-term assets, such as buildings, against long-term liabilities, like accrued vacation and sick leave, present both a more complex, as well as long-term picture of the governmental unit's fiscal health. Its objective is to alert citizens and governing boards to the costs and needs produced by aging infrastructure and unfunded future liabilities thus showing the taxpayers there is a greater cost to operating a government than just the present year's operation.

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 BBRD uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found after the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance.

**BAREFOOT BAY RECREATION DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended September 30, 2007

**Financial Analysis**

Net assets may serve over time as a useful indicator of the BBRD's financial position. At the close of the fiscal year, assets exceeded liabilities by \$3,923,369. Investment in capital assets net of related debt represents 65.1% of net assets and, thus, is not available for future spending. The BBRD has restricted net assets for debt service of \$694,528 at September 30, 2007. The remaining unrestricted net assets of \$675,367 is available to meet the BBRD's obligations to citizens. Conversion to GASB 34 does not allow net assets to be represented as "reserved" unless there are external legal restrictions on how these funds may be used. Thus, while there may be long-term management plans for unrestricted net assets, they must be shown as unrestricted until such external restrictions occur.

<b>ASSETS</b>	<b><u>FY07</u></b>	<b><u>FY06</u></b>
Current and Other Assets	\$ 1,474,912	\$ 2,002,595
Capital Assets, Net	<u>9,052,016</u>	<u>8,597,367</u>
<b>Total Assets</b>	<u>10,526,928</u>	<u>10,599,962</u>
 <b>LIABILITIES</b>		
Current and Other Liabilities	754,045	799,149
Long Term Liabilities	<u>5,849,514</u>	<u>6,319,015</u>
<b>Total Liabilities</b>	<u>6,603,559</u>	<u>7,118,164</u>
 <b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	2,553,474	2,408,876
Restricted for Debt Service	694,528	810,718
Unrestricted	<u>675,367</u>	<u>262,204</u>
<b>Total Net Assets</b>	<u>\$ 3,923,369</u>	<u>\$ 3,481,798</u>

Governmental activities increased the BBRD's net assets by \$441,571. This increase resulted from additional grant revenues for hurricane damage, and additional charges for services revenues from the golf course and restaurant. Expenses were consistent with the prior year.

<b>Revenues</b>	<b><u>FY07</u></b>	<b><u>FY06</u></b>
Program Revenues	\$ 5,067,364	\$ 4,875,086
General Revenues	<u>86,168</u>	<u>123,040</u>
<b>Total Revenues</b>	<u>5,153,532</u>	<u>4,998,126</u>
 <b>Expenses</b>		
General Government	4,366,961	4,347,636
Physical Environment	7,035	23,191
Interest on Long Term Debt	<u>337,965</u>	<u>424,114</u>
<b>Total Expenses</b>	<u>4,711,961</u>	<u>4,794,941</u>
Change in Net Assets	441,571	203,185
Net Assets - Beginning	<u>3,481,798</u>	<u>3,278,613</u>
<b>Net Assets - Ending</b>	<u>\$ 3,923,369</u>	<u>\$ 3,481,798</u>

**BAREFOOT BAY RECREATION DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended September 30, 2007

The General Fund is the operating fund of the BBRD, and is considered a major fund for financial reporting. At the end of fiscal year 2007, unreserved fund balance was \$205,230, while the total fund balance reached \$265,151. General Fund unreserved fund balance decreased by \$423,130 during the fiscal year ended 2007. The decrease was due to additional expenditures of capital outlay that are assets which are unavailable for future spending.

**General Fund Budgetary Highlights**

The General Fund original budget was not adjusted during FY07. The General Fund actual revenues were less than the final budgeted revenues by \$106,574. This decrease was due to assessment revenues that were less than what was anticipated. Expenditures and transfers out were close to that anticipated. The following schedule shows the differences by function between the General Fund's actual expenditures and its final amended budget.

	<b>Actual</b>	<b>Final Budget</b>	<b>Change</b>
	<b>Expenditures</b>		
General Government	\$ 4,829,886	\$ 4,831,850	\$ 1,964
Physical Environment	7,035	8,908	1,873
Debt Service	-	2,400	2,400
Other Uses	<u>704,000</u>	<u>721,579</u>	<u>17,579</u>
	<u>5,540,921</u>	<u>5,564,737</u>	<u>23,816</u>

**Capital Assets and Long Term Debt**

Capital asset management is divided between major systems turned over to Brevard County which includes streets, roads and utilities; and those assets that BBRD are directly responsible for, which consists of all the common areas and recreational facilities regarded as amenities by the residents. The following table presents the capital assets of the BBRD at September 30.

	<b>Governmental Activities</b>	
	<b>FY07</b>	<b>FY06</b>
Land	\$ 4,292,933	\$ 4,292,933
Buildings and Improvements	6,641,061	5,857,197
Machinery, Furniture and Equipment	1,031,751	936,344
Construction in Progress	<u>-</u>	<u>165,001</u>
	11,965,745	11,251,475
Less: Accumulated Depreciation	<u>(2,913,729)</u>	<u>(2,654,108)</u>
Capital Assets, net	<u>\$ 9,052,016</u>	<u>\$ 8,597,367</u>

Capital assets increased from the prior year due to the addition of pier improvements, which were damaged in the hurricanes of 2004.

Long-term debt reduction remains steady, as the BBRD continues to pay for bonds issued for the purchase of the park from Avatar and a new golf course irrigation system. The BBRD paid off the \$50,000 note in the fiscal year that was used previously to fund pier reconstruction until reimbursement was made by FEMA. The BBRD will receive approximately \$50,000 annually from stormwater assessments over the next three-and-a-half years to recoup the general funds used

**BAREFOOT BAY RECREATION DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended September 30, 2007

to build the stormwater protection project. The following table presents the outstanding long term debt of the BBRD at September 30.

	<u>Governmental Activities</u>	
	<u>FY07</u>	<u>FY06</u>
Bonds Payable	\$ 5,777,312	\$ 6,188,491
Note Payable	-	50,000
	<u>\$ 5,777,312</u>	<u>\$ 6,238,491</u>

**Economic Factors and Next Year's Budget and Rates**

The overall financial position and results of operations for the BBRD declined during the fiscal year ended September 30, 2007. The BBRD's monthly assessment fees were increased by \$1 in fiscal year 2008 to compensate for the declining financial position from increasing costs of operations and maintenance.

**Requests for Information**

This financial report is designed to present users with a general overview of the BBRD's finances and to demonstrate the BBRD's accountability. If you have any questions concerning any of the information provided in this report or need additional financial information, contact the BBRD's Community Manager or Finance Department at 625 Barefoot Boulevard, Bldg F, Barefoot Bay, Florida 32796-7305.

## **BASIC FINANCIAL STATEMENTS**

# BAREFOOT BAY RECREATION DISTRICT

## STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEETS

September 30, 2007

	General Fund	Debt Service Fund	Total	Adjustments (Note 2)	Statement of Net Assets
<b>ASSETS</b>					
Cash and cash equivalents	\$ 465,174	\$ 694,528	\$ 1,159,702	\$ -	\$ 1,159,702
Receivables (net)	53,287	-	53,287	-	53,287
Due from other governments	202,002	-	202,002	-	202,002
Inventories	59,921	-	59,921	-	59,921
Property, plant and equipment, net	-	-	-	9,052,016	9,052,016
TOTAL ASSETS	\$ 780,384	\$ 694,528	\$ 1,474,912	\$ 9,052,016	\$ 10,526,928
<b>LIABILITIES</b>					
Accounts payable	\$ 66,854	\$ -	\$ 66,854	\$ -	\$ 66,854
Accrued payroll and related liabilities	53,949	-	53,949	-	53,949
Accrued expenses, other	53,758	-	53,758	238,812	292,570
Deferred revenue	329,162	-	329,162	-	329,162
Escrow deposits	11,510	-	11,510	-	11,510
Noncurrent liabilities:					
Due within one year	-	-	-	457,728	457,728
Due in more than one year	-	-	-	5,391,786	5,391,786
TOTAL LIABILITIES	515,233	-	515,233	6,088,326	6,603,559
<b>FUND BALANCES / NET ASSETS</b>					
Fund balances:					
Reserved for debt service	-	694,528	694,528	(694,528)	-
Reserved for inventory	59,921	-	59,921	(59,921)	-
Unreserved	205,230	-	205,230	(205,230)	-
TOTAL FUND BALANCES	265,151	694,528	959,679	(959,679)	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 780,384	\$ 694,528	\$ 1,474,912		
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt				2,553,474	2,553,474
Restricted for:					
Debt service				694,528	694,528
Unrestricted				675,367	675,367
TOTAL NET ASSETS				\$ 3,923,369	\$ 3,923,369

The accompanying notes are an integral part of the financial statements.

# BAREFOOT BAY RECREATION DISTRICT

## STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For The Year Ended September 30, 2007

	General Fund	Debt Service Fund	Total	Adjustments (Note 2)	Statement of Activities
REVENUES					
Assessments	\$3,164,050	\$ -	\$3,164,050	\$ -	\$ 3,164,050
Charges for services	1,511,926	-	1,511,926	-	1,511,926
Intergovernmental	391,388	-	391,388	-	391,388
Investment income	33,054	24,272	57,326	-	57,326
Other	28,842	-	28,842	-	28,842
TOTAL REVENUES	5,129,260	24,272	5,153,532	-	5,153,532
EXPENDITURES / EXPENSES					
General Government/Recreation	3,920,012	46	3,920,058	(8,321)	3,911,737
Physical Environment/Storm Water	7,035	-	7,035	-	7,035
Debit Service:					
Principal	-	461,179	461,179	(461,179)	-
Interest	-	383,237	383,237	(45,272)	337,965
Depreciation	-	-	-	455,224	455,224
Capital outlay	909,874	-	909,874	(909,874)	-
TOTAL EXPENDITURES / EXPENSES	4,836,921	844,462	5,681,383	(969,422)	4,711,961
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	292,339	(820,190)	(527,851)	-	-
TRANSFERS - INTERNAL ACTIVITIES	(704,000)	704,000	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND TRANSFERS IN (OUT) OVER EXPENDITURES	(411,661)	(116,190)	(527,851)	527,851	-
CHANGE IN NET ASSETS	-	-	-	441,571	441,571
FUND BALANCES / NET ASSETS					
BEGINNING OF THE YEAR	676,812	810,718	1,487,530	-	3,481,798
FUND BALANCES / NET ASSETS					
END OF THE YEAR	\$ 265,151	\$ 694,528	\$ 959,679	\$ -	\$ 3,923,369

The accompanying notes are an integral part of the financial statements.

# BAREFOOT BAY RECREATION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

September 30, 2007

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Financial Reporting Entity**

The Barefoot Bay Recreation District (the "District") is a special independent taxing district created by Ordinance Number 84-05 of the Board of County Commissioners of Brevard County, Florida, on January 12, 1984, in accordance with Sections 34 through 38 of Chapter 83-204, Laws of Florida, under the authority granted by Section 418.30, Florida Statutes. The District was established to acquire, operate, and maintain the facilities of the mobile home recreation park.

The financial statements of the District have been prepared in conformity with U.S. generally accepted accounting principles, as applied to governmental units. The more significant of the government's accounting policies are described below.

The accompanying financial statements present the financial position and results of operations of the applicable funds controlled by or dependent upon the District. In evaluating the District as a reporting entity, management has considered all potential component units for which the District may or may not be financially accountable and, as such, would be includable within the District's financial statements. No component units exist which would require inclusion in the District's financial statements.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the District. The effect of interfund activity has been eliminated from these statements. The District only has governmental activity and does not engage in any business-type activity. Direct expenses are those that are clearly identifiable with a specific function or segment. General revenues include ad valorem taxes and interest income. Fund financial statements are presented for the District's general and debt service funds. Both of these funds are considered to be major funds.

The government-wide financial statements (i.e., the, statement of net assets and the statement of activities) report information on all the activities of the District.

The statement of activities demonstrates the degree to which the direct expenses of a given function, or segments, 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*.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

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 District 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.

Maintenance assessments and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of maintenance assessments receivable within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District and is used to account for all financial resources, except for those required to be accounted for in another fund.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, principal and interest on long-term general obligation debt of governmental funds.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided, 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 District's policy to use restricted resources first, then unrestricted resources as they are needed.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Budgetary Information**

An annual budget is prepared for all funds of the District. The annual operating budgets are prepared on a basis consistent with generally accepted accounting principles. The Board of Trustees adopts a budget resolution on or before July 1, to fix the amount of the assessment and maintenance fee needed for the operation of the District for the next ensuing fiscal year.

The budgets, as adopted, may only be amended through formal approval (resolution) by the Board of Trustees. Budgetary integration is established in the accounting records for management control purposes at the expenditure level; however, the District Manager may, at any time, transfer appropriation amounts between line items, expenditure classifications, and departments without formal approval by the Board of Trustees. However, any revisions that increase the total appropriations of the District must be approved by the Board of Trustees. Annual budget appropriations lapse at the end of each fiscal year.

**Assets, Liabilities and Net Assets or Equity**

***Cash and Cash Equivalents***

Cash and cash equivalents consist of cash on hand, demand deposits, and investments in the State Board of Administration Local Government Pooled Investment Account. Florida Statutes require the District to deposit public funds in qualified public depositories. Cash deposits as of September 30, 2007 are insured by federal depository insurance and the Public Depository Trust Fund.

***Receivables and Payables***

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the General Fund and Debt Service Fund are reported in the government-wide financial statements as “interfund balances.”

***Inventories***

Inventories are stated at cost (first-in, first-out method). Inventories of governmental funds are accounted for under the purchase method.

***Property and Equipment***

Property and equipment purchased in the General Fund are recorded as expenditures at the time of purchase. Gifts or contributions are recorded at fair market value at the time received. It is the policy of the District to capitalize property and equipment over \$500. Lesser amounts are expensed. Depreciation has been provided on fixed assets as a direct charge using the straight-line method over the estimated useful lives of the various classes of depreciable assets, which ranges from 5 - 40 years.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities and Net Assets or Equity (Continued)**

***Property and Equipment (Continued)***

Pursuant to GASB Statement No. 34, the District, as a phase three government, has elected not to report infrastructure assets acquired prior to the fiscal year ended September 30, 2007. During the current year, the District did not acquire or construct any infrastructure assets.

***Compensated Absences***

The District records the vested portion of accumulated, unused compensated absences at year-end based on each employee's unused hours and rate of pay, including the District's share of payroll taxes. All compensated absences are accrued when incurred in the government-wide financial statements as accrued liabilities. A liability for these amounts is reported in governmental funds only if they have matured. For example, as a result of employee resignations or retirements.

***Deferred Revenue***

Deferred revenue at September 30, 2007 consists primarily of prepaid maintenance, golf club membership fees, and final payment for FEMA 2004 hurricane reimbursement.

***Long-Term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the term of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

***Fund Equity***

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Usage of reserves has been limited to the following items:

- **Reserve for Inventory** – indicates a portion of the fund balance that does not constitute “available spendable resources,” as it is reserved for inventory on hand.
- **Reserve for Debt Service** – indicates a portion of the fund balance that is reserved for payment of debt service.

**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Adjustments were made to include capital assets (net of accumulated depreciation), long-term liabilities, and accrued interest on the statement of net assets. This resulted in a net difference between ending governmental fund balances and total net assets of \$2,963,690. Interfund payables and receivables were also eliminated.

Ending governmental fund balances	\$ 959,679
Capital assets, net	9,052,016
Long-term debt accrued compensated absences	(5,849,514)
Accrued interest	<u>(238,812)</u>
Total net assets	<u>\$ 3,923,369</u>

Adjustments were made to include depreciation expense, record the decrease in long-term compensated absences and accrued interest, and eliminate capital outlay expenditures and long-term debt principal expenditures on the statement of activities. This resulted in a net difference between “excess (deficiency) of revenues and transfers in over expenditures and transfers out” and “change in net assets” of \$969,422.

Excess (deficiency) of revenues and transfers in over expenditures and transfers out	\$ (527,851)
Less: Depreciation expense	(455,224)
Add: Decrease in accrued interest	45,272
Decrease in long-term compensated absences	8,321
Capital outlay expenditures	909,874
Long-term debt principal expenditures	<u>461,179</u>
Change in net assets	<u>\$ 441,571</u>

**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

**Deposits and Cash Equivalents**

At September 30, 2007, the carrying value of cash deposits, including deposits invested with the State Board of Administration (considered cash equivalents), amounted to \$1,095,702, and the bank balance was \$1,258,688. All deposits with financial institutions were 100% insured by federal depository insurance or by collateral pursuant to the Public Depository Security Act of the State of Florida. Deposits invested with the State Board of Administration are fully secured by Government Securities, as required by Florida Statutes, Chapter 215.47.

The Local Government Surplus Funds Trust 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 Surplus Funds Trust Fund. Additionally, the Office of the Auditor General periodically performs an operational audit of the activities and investments of the State Board of Administration. The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (“SEC”); however, the Board has adopted operating procedures consistent with the requirements for a 2a-7 fund.

**NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)**

**Deposits and Cash Equivalents (Continued)**

The carrying amount and fair value of the District's cash equivalents at September 30, 2007, were as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Local Government Surplus Funds Trust Fund	<u>\$1,153,574</u>	<u>\$1,153,574</u>

**Receivables**

Receivables as of year-end for the District's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	
Maintenance fees	\$ 54,942
Less: allowance	<u>(1,655)</u>
Net receivables	<u>\$ 53,287</u>

**Capital Assets**

Capital asset activity for the year ended September 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Increases/ Transfers</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$4,292,933	\$ -	\$ -	\$4,292,933
Construction in progress	<u>165,001</u>	<u>-</u>	<u>165,001</u>	<u>-</u>
Total capital assets not being depreciated	4,457,934		165,001	4,292,933
Capital assets being depreciated:				
Buildings and improvements	5,857,197	958,712	174,848	6,641,061
Machinery, furniture and equipment	<u>936,344</u>	<u>116,163</u>	<u>20,753</u>	<u>1,031,754</u>
Total capital assets being depreciated	6,793,541	1,074,875	195,601	7,672,815
Less accumulated depreciation for:				
Buildings and improvements	1,960,194	302,830	60,908	2,202,122
Machinery, furniture and equipment	<u>693,914</u>	<u>38,183</u>	<u>20,481</u>	<u>711,610</u>
Total accumulated depreciation	<u>2,654,108</u>	<u>341,013</u>	<u>81,389</u>	<u>2,913,732</u>
Governmental activities capital assets, net	<u>\$8,597,367</u>	<u>\$ 733,862</u>	<u>\$ 279,213</u>	<u>\$9,052,016</u>

Depreciation expense for governmental activities was not allocated to the functions of the District for fiscal year ended September 30, 2007.

**NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)**

**Interfund Receivables, Payables and Transfers**

The composition of interfund balances as of September 30, 2007, is as follows:

<u>Transfers</u>		<u>Amount</u>
<u>Receivable Fund</u>	<u>Payable Fund</u>	
Debt Service	General Fund	<u>\$792,000</u>

Transfers are used to move revenues from the fund with collection authorization to the Debt Service Fund, as debt service principal and interest payments become due.

**Long-Term Debt**

***Changes in Long-Term Debt***

Changes in long-term debt for the year ended September 30, 2007, consists of the following:

<u>Description</u>	<u>2006</u>			<u>2007</u>	<u>Due Within</u>	<u>Long-Term</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>	<u>Portion</u>
<b><u>Governmental Activities</u></b>						
Revenue Bonds Payable, Series 1996A	\$5,781,519	\$ -	\$(383,126)	\$5,398,393	\$406,689	\$4,991,704
Revenue Bonds Payable, Series 2001	406,972	-	(28,053)	378,919	29,378	349,541
Notes Payable	50,000	-	(50,000)	-	-	-
Compensated Absences	80,524	4,622	(12,942)	72,204	21,661	50,543
	<u>\$6,319,015</u>	<u>\$ 4,622</u>	<u>\$(474,121)</u>	<u>\$5,849,516</u>	<u>\$457,728</u>	<u>\$5,391,788</u>

Long-term debt consists of the following at September 30, 2007:

**Governmental Activities:**

Public Improvement Revenue Bonds, Series 1996A; due annually to 2017, in amounts ranging from \$695,893 to \$715,127; including interest at 6.15%.	\$5,398,393
Public Improvement Revenue Bond, Series 2001; due in annual installments through December 30, 2016, bearing a variable interest rate of 62.55% of the Bank of America prime rate.	378,919
Estimated long-term obligation for accumulated, unused vacation benefits payable from governmental revenues.	<u>72,204</u>
	<u>\$5,849,516</u>

**NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)**

**Long-Term Debt (Continued)**

***Governmental Activities***

The Public Improvement Revenue Bonds, Series 1996A, (“Bonds”) were issued in December 1996 to fund the acquisition of various recreation facilities located within the District and to pay costs of issuing the Bonds. The Bonds are collateralized by a pledge of any and all revenues, fees, and assessments received by the District from the ownership, management, operation or use of properties within the District’s boundaries. Amounts required to meet debt service payments on the Bonds are transferred monthly to the Debt Service Fund. Revenues in excess of debt service requirements may be used for general operating purposes.

The Bonds bear an interest rate equal to 62.55% of the Bank of America (“Bondholder”) prime rate and may be adjusted to maintain the Bondholder’s after-tax yield, if the interest on the Bonds is determined to be taxable for federal income tax purposes and for various changes in tax laws. The District has entered into an interest rate swap agreement with the Bondholder, which effectively changes the variable rate on the Bonds to a fixed rate of 6.15%.

***Debt Service Requirements on All Outstanding Debt***

The annual requirements to pay principal and interest (estimated) on all long-term debt outstanding at September 30, 2007, excluding compensated absences and notes payable, to maturity are as follows:

<u>Year Ending</u>	<u>Series 2001</u>		<u>Series 1996A</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 29,378	\$ 23,303	\$ 406,689	\$ 332,001	\$ 436,067	\$ 355,304
2009	30,719	21,497	431,700	306,990	462,419	328,487
2010	32,215	19,608	458,250	280,440	490,465	300,048
2011	33,736	17,626	486,432	252,258	520,168	269,884
2012	35,329	15,552	516,348	222,342	551,677	237,894
2013-2017	217,542	43,048	3,098,974	594,475	3,316,516	637,523
	<u>\$378,919</u>	<u>\$140,634</u>	<u>\$5,398,393</u>	<u>\$1,988,506</u>	<u>\$5,777,312</u>	<u>\$2,129,140</u>

**NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)**

**Property Held for Lease**

The District is the Lessor of commercial real estate under operating leases expiring in various years through August 2008. Leasing activities and related assets and liabilities are accounted for in the General Fund. Leased property as of September 30, 2007 is summarized as follows:

Land	\$ 217,123
Buildings and improvements	<u>845,097</u>
	1,062,220
Less accumulated depreciation	<u>(233,501)</u>
	<u>\$ 828,719</u>

Minimum future rentals to be received on noncancelable leases as of September 30, 2007 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2008	\$ 86,249
2009	66,201
2010	55,057
2011	45,462
2012	<u>3,969</u>
Total	<u>\$256,938</u>

Minimum future rentals do not include amounts to be received for common area maintenance or real estate taxes under certain leases. Amounts received for such charges were \$11,982 for fiscal year 2007.

**NOTE 4 - OTHER INFORMATION**

**Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. To limit its exposure to these risks, the District is a participant in the Florida League of Cities (a not-for-profit corporation) self-insurance program for general and auto liability, and property insurance. The self-insurance program purchases excess and specific coverages from third-party insurance carriers. Participants in the program are billed annually for their portion of the cost of the program adjusted for actual experience during the period of coverage. Participants are not assessed for unanticipated losses incurred by the program. Premiums paid by the District during the year ended September 30, 2007 totaled \$135,291. The District also pays premiums for workers' compensation insurance to the Florida League of Cities. Premiums paid for this coverage totaled \$76,241 for the year ended September 30, 2007.

## **NOTE 4 - OTHER INFORMATION (Continued)**

### **Grants**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. 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 District expects such amounts, if any, to be immaterial.

### **Litigation**

Various lawsuits and claims in the ordinary course of the District's operations are pending. The District is also party to litigation under which it may be required to pay certain monies upon the decision of the courts. However, it is the opinion of the District's attorney that the potential amount of the District's liability in these matters cannot be determined. Accordingly, no provision has been made in the basic financial statements for these contingencies.

### **Subsequent Events**

As discussed in Note 3 to the financial statements, at September 30, 2007, the District had approximately \$1.1 million dollars invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool ("Pool"). On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Pool, coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to subprime mortgage risk. On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately \$12 billion, or 86% of Pool assets. Pool B consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately \$2 billion, or 14% of Pool assets. At the time of the restructuring, all current Pool participants had their existing balances proportionately allocated into Pool A and Pool B.

As of January 31, 2009, the District had received all funds which were allocated to Pool B except for \$47,161.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# BAREFOOT BAY RECREATION DISTRICT

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For The Year Ended September 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Assessments	\$ 3,410,304	\$ 3,410,304	\$3,164,050	\$ (246,254)
Charges for services	1,504,299	1,504,299	1,511,926	7,627
Intergovernmental	268,173	268,173	391,388	123,215
Investment income	22,058	22,058	33,054	10,996
Other	31,000	31,000	28,842	(2,158)
TOTAL REVENUES	<u>5,235,834</u>	<u>5,235,834</u>	<u>5,129,260</u>	<u>(106,574)</u>
<b>EXPENDITURES / EXPENSES</b>				
General Government	4,003,850	4,003,850	3,920,012	83,838
Physical Environment/Storm Water	8,908	8,908	7,035	1,873
Debit Service:				
Principal	1,400	1,400	-	1,400
Interest	1,000	1,000	-	1,000
Capital outlay	828,000	828,000	909,874	(81,874)
TOTAL EXPENDITURES / EXPENSES	<u>4,843,158</u>	<u>4,843,158</u>	<u>4,836,921</u>	<u>6,237</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	392,676	392,676.00	292,339	(100,337)
TRANSFERS - INTERNAL ACTIVITIES	<u>(721,579)</u>	<u>(721,579)</u>	<u>(704,000)</u>	<u>17,579</u>
EXCESS (DEFICIENCY) OF REVENUES AND TRANSFERS IN (OUT) OVER EXPENDITURES	(328,903)	(328,903)	(411,661)	(82,758)
<b>FUND BALANCES</b>				
BEGINNING OF THE YEAR	<u>666,708</u>	<u>666,708</u>	<u>676,812</u>	<u>10,104</u>
<b>FUND BALANCES</b>				
END OF THE YEAR	<u>\$ 337,805</u>	<u>\$ 337,805</u>	<u>\$ 265,151</u>	<u>\$ (72,654)</u>

The accompanying notes are an integral part of the financial statements.

## **COMPLIANCE SECTION**



**MOORE STEPHENS  
LOVELACE, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS 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**

Board of Trustees  
Barefoot Bay Recreation District  
Barefoot Bay, Florida

We have audited the financial statements of the governmental activities of Barefoot Bay Recreation District, Florida, (the "District") as of and for the year ended September 30, 2007, and have issued our report thereon dated April 10, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and recommendations.

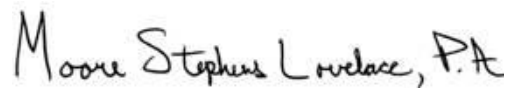
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe that the cumulative effect of reportable conditions described in the schedule results in a material weaknesses.

Board of Trustees  
Barefoot Bay Recreation District

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, grant agreements and contracts, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees, management, and the Office of the Auditor General and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Moore Stephens Lovelace, P.A." The signature is written in a cursive, slightly slanted style.

Certified Public Accountants

Orlando, Florida  
April 10, 2009

## SCHEDULE OF FINDINGS AND RECOMMENDATIONS

### Prior-Year Findings:

#### **Finding 06-01 – Cash Management**

**Current Year Status** – Finding was not resolved to our satisfaction. Finding has been updated as Finding 07-03 under Current Year Findings.

#### **Finding 06-02 – Payroll Process**

**Current Year Status** – Finding was not fully resolved to our satisfaction. Finding has been updated as Finding 07-02 under Current Year Findings.

#### **Finding 06-03 – Financial Accounting and Reporting Policies and Procedures**

**Finding** – During our evaluation of the District’s policies and procedures, we noted that the Policies and Procedures Manual has not been updated since July 2004 and does not reflect the current operations of the District. In addition, a procedure has not been put in place to update the manual to include the ongoing policy changes by resolution of the Board.

**Criteria** – To ensure proper accounting and reporting, related policies and procedures should be updated and maintained to reflect current procedures.

**Current Year Status** – Finding was not resolved to our satisfaction.

**Management Response** – The Board has reviewed and amended the Policy Manual at a Workshop and will consider adoption of the Policy Manual on April 28, 2009 at the Regular Meeting. Staff will then make necessary changes to procedures.

#### **Finding 06-04 – Lease Agreements**

**Finding** – During our testing of revenue, the District could not locate copies of the most recent lease agreements for all tenants of the District’s shopping center.

**Criteria** – Maintaining proper records will help to ensure that revenues are properly reported in accordance with the related agreements.

**Current Year Status** – Finding has been resolved.

#### **Finding 06-05 – Deteriorating Financial Condition**

**Current Year Status** – The District’s current-year financial condition is discussed in Finding 07-06 under Current Year Findings.

## SCHEDULE OF FINDINGS AND RECOMMENDATIONS

(Continued)

### **Current-Year Findings:**

#### **Finding 07-01 – Journal Entry Support**

**Finding** – During our current-year testing of the District’s journal entries, no supporting documentation was provided for several transactions tested. It was unclear if the information was missing or had been misplaced. Subsequent to the prior-year audit, the District experienced significant turnover in staff. The requested supporting documentation was not provided prior to the completion of our fieldwork.

**Criteria** – To ensure that adjustments to general ledger accounts are properly reported, the related supporting documentation should be maintained in accordance with best practices for recordkeeping. The methods used to maintain records should be cost-effective and in accordance with applicable legal requirements.

**Recommendation** – We recommend that the District evaluate its recordkeeping procedures and implement appropriate processes, which will ensure the integrity and accessibility of all the related accounting and reporting supporting documentation.

**Management Response** – It should be noted that none of the staff and management team in place during the audit year are currently in place. The current management group and the Board have instituted new practices that should ensure that appropriate recordkeeping procedures and processes are followed. The process will also ensure the integrity and accessibility of accounting and support documentation for all journal entries. Further, the management team will recommend that the Board of Trustees establish an Audit Committee.

#### **Finding 07-02 – Payroll Documentation**

**Finding** – During our testing of payroll transactions, we noted various supporting documentation for payroll transactions, which occurred during the first quarter of the fiscal year, were not available for our review. This information included summary payroll data, federal filing forms, and other miscellaneous data. In all cases, the District did maintain the proper personnel files which supported various employee information, including deductions, pay rates, application forms, etc. It should also be noted that for the final three quarters of the fiscal year, the District used a third party to process payroll and all information was available.

**Criteria** – To ensure proper financial accounting and reporting, as well as maintaining required payroll information, the District should maintain all payroll information, as required by the applicable laws.

**Recommendation** – We recommend that the District research methods to obtain the unavailable data and maintain the applicable records in accordance with best practices and legal requirements.

**Management Response** – Management will continue to seek the unavailable data. Payroll is currently being handled by a third-party payroll company. Records are available.

## SCHEDULE OF FINDINGS AND RECOMMENDATIONS

(Continued)

### Finding 07-03 – Cash Disbursements

**Finding** – During our testing of cash disbursements, we noted that several payments were not supported by proper documentation, payments were not authorized at the departmental level, and the District was unable to provide copies of canceled checks for our review. It should be noted, however, that all checks reviewed did have approval by the District’s Community Manager, as well as overall approval by the District’s Board.

**Criteria** – To ensure proper financial accounting and reporting, as well as operational effectiveness, appropriate cash disbursement controls should be implemented, maintained and updated, as necessary.

**Recommendation** – We recommend that the District ensure that the policies and procedures related to cash disbursements are updated and properly implemented.

**Management Response** – Current procedures are in place to ensure accurate cash disbursements and proper documentation of the cash disbursements. Current procedures are in place to ensure proper approvals at the department and management level to include proper recordkeeping of payments, as well as cancelled checks with backup. The Chairman of the Board signs all checks.

### Finding 07-04 – Assessments Receivable

**Finding** – During our audit of the District’s accounts receivable, it came to our attention that the detail listing of receivables did not reconcile to amounts reported in the District’s general ledger.

**Criteria** – Amounts reported in the general ledger should agree to the corresponding detail sub-ledger information.

**Recommendation** – We recommend that the District ensure that sub-ledger information agrees to the general ledger and that periodic reconciliations of this data be performed on a regular basis. The District should also consider using the County’s resources to perform the billing and collection of assessments as part of the County’s tax assessment and collection process.

**Management Response** – The Board of Trustees voted to use the County for billing and collection of assessments for FY-09-10. Up to this point, the necessary steps for this to occur in November, 2009 have been completed.

### Finding 07-05 – Year-End Closing

**Finding** – Accounting staff of the District currently do not have the prerequisite knowledge of governmental accounting and reporting to properly perform year-end closing procedures. The District did engage a qualified third party to perform this process. In addition, the District recently hired a District Manager, who has been involved with governmental entities for several years.

**Criteria** – To ensure that proper year-end closing procedures are performed, District staff should have the appropriate level of understanding of governmental accounting and reporting.

**Recommendation** – We recommend that the District provide training to staff specific to governmental accounting and reporting.

## SCHEDULE OF FINDINGS AND RECOMMENDATIONS

(Continued)

**Management Response** – Management has recognized the need for additional professional accounting assistance and consultation. Milestone provided assistance for the preparation of the audit for FY 06-07, and they are providing further assistance for the FY 07-08 audit and financial report. The funds have been recommended in the FY 09-10 budget for continuing assistance for professional accounting. Additional funds in the FY 09-10 budget will be requested for additional staff training in governmental accounting and reporting.

### **Finding 07-06 – High Turnover**

**Finding** – Subsequent to the prior-year audit, the District had significant turnover in management and accounting positions. While turnover occurs in every organization, it is important to ensure that when it does occur that the knowledge base of former employees is transferred to either new employees or to current employees. This transfer of knowledge will reduce the risk of lost information and data related to accounting and reporting issues.

**Criteria** – Continuity is important in maintaining the history of an entity’s accounting and reporting transactions and activities.

**Recommendation** – We recommend that the District ensure a cohesive transfer of information during future employee turnover.

**Management Response** - The continuity has increased with the professional management team. Staff will prepare appropriate documents to provide for the transfer of information, processes and procedures.

### **Finding 07-07 – Financial Condition**

**Finding** – As required by the Auditor General, we performed the financial condition assessment. The results of our testing indicated that of the 9 applicable indicators, 5 were unfavorable. Our overall assessment of the District’s financial condition was unfavorable.

**Criteria** – The results of the District’s financial condition should result in an overall favorable condition.

**Recommendation** – We recommend that the District’s management and Board take appropriate corrective action to address the District’s unfavorable financial condition.

**Management Response** – It is important to note that the Barefoot Bay community in FY 06-07 continued to recover from the hurricanes of 2004. This is demonstrated in the financial position of the District by the large capital investment (\$909,874). This should be recognized as a long-term capital investment by the BBRD.

While negative financial indicators predominate in this audit, it is noteworthy that the District has been making timely payments on all normal and debt obligations. In addition, the District has not used borrowing to finance normal operations.



## **INDEPENDENT AUDITOR'S MANAGEMENT LETTER**

Bard of Trustees  
Barefoot Bay Recreation District  
Barefoot Bay, Florida

We have audited the financial statements of the Barefoot Bay Recreation District, Florida, (the "District") as of and for the fiscal year ended September 30, 2007, and have issued our report thereon dated April 10, 2009.

We conducted our audit in accordance with United States generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters. Disclosures in this report, which is dated April 10, 2009, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on internal controls and on compliance or schedule of findings and questioned costs, this letter is required to include the following information.

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the District complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. Findings as reported in the Schedule of Findings and Recommendation, should be considered in conjunction with this management letter.

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

Board of Trustees  
Barefoot Bay Recreation District

Section 10.554(1)(i)5., Rules of the Auditor General, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.

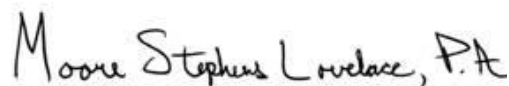
Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority is disclosed in the notes to the financial statements.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the District for the fiscal year ended September 30, 2007, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2007. In connection with our audit, we determined that these two reports were in agreement.

Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based, in part, on representations made by management and the review of financial information provided by same.

This management letter is intended solely for the information of the District, management, and the Office of the Auditor General and is not intended to be, and should not be, used by anyone other than these specified parties.



Certified Public Accountants

Orlando, Florida  
April 10, 2009