

BAREFOOT BAY RECREATION DISTRICT, FLORIDA

Annual Financial Report

September 30, 2008

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>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1
Management’s Discussion and Analysis (Unaudited)	i-iv
Basic Financial Statements	
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
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	16
Compliance Section	
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>	17
Independent Auditor’s Management Letter	23



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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, 2008, 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 opinions on these financial statements based on our audit.

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

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, 2008, 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 September 25, 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 and budgetary comparison information, as listed in the table of contents, are 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
September 25, 2009

BAREFOOT BAY RECREATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended September 30, 2008

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, 2008. 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 statement, 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 present 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 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, 2008

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 \$4,527,304. The BBRD has restricted net assets for debt service of \$467,751 at September 30, 2008. The remaining unrestricted net assets of \$554,790 are 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.

ASSETS	FY 07	FY 08
Current and Other Assets	\$ 1,474,912	1,647,381
Capital Assets, Net	9,052,016	8,846,008
Total Assets	10,526,928	10,493,389
LIABILITIES		
Current and Other Liabilities	754,045	528,263
Long-Term Liabilities	5,849,514	5,437,822
Total Liabilities	6,603,559	5,966,085
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	2,553,474	3,504,763
Restricted in Debt Service	694,528	467,751
Unrestricted	675,367	554,790
Total Net Assets	\$ 3,923,369	4,527,304

Governmental activities increased the BBRD’s net assets by \$603,935. This increase resulted from additional grant revenues, increased current assets, as well as a decrease in long-term debt. Expenses were less than the prior year.

Revenues	FY 07	FY 08
Program Revenues	\$ 5,067,364	5,093,254
General Revenues	86,168	61,115
Total Revenues	5,153,532	5,154,369
Expenses		
General Government	4,366,961	4,211,852
Physical Environment	7,035	-
Interest on Long-Term Debt	337,965	338,582
Total Expenses	4,711,961	4,550,434
Change in Net Assets	441,571	603,935
Net Assets - Beginning	3,481,798	3,923,369
Net Assets - Ending	\$ 3,923,369	4,527,304

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 2008, unreserved fund balance was \$798,922, while the total fund balance reached \$872,149. General Fund unreserved fund balance increased during the fiscal year ended 2008 from \$265,151 to \$872,149.

BAREFOOT BAY RECREATION DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

Year Ended September 30, 2008

General Fund Budgetary Highlights

The General Fund original budget was not adjusted during FY 08. The General Fund actual revenues were less than the final budgeted revenues by \$109,679. Causes for this include less than anticipated income from leasing, and a reduction of memberships at the Golf Course. Both of these reductions can be attributed to the slowing economy. Expenditures and transfers out were less than anticipated. Intergovernmental revenue, largely from reimbursement for storm damage, exceeded budgeted amounts.

The following schedule shows the differences by function between the General Fund’s actual expenditures and its amended budget:

EXPENDITURES/EXPENSES	Actual Amount	Final Budget	
		Amount	Variance
General Government	\$ 3,767,995	3,969,888	201,893
Capital outlay	213,456	520,240	306,784
	<u>\$ 3,981,451</u>	<u>4,490,128</u>	<u>508,677</u>
REVENUES			
Assessments	\$ 3,246,691	3,378,720	(132,029)
Charges for services	1,587,309	1,795,764	(208,455)
Intergovernmental	259,254	19,000	240,254
Investment income	18,959	57,200	(38,241)
Other	36,236	7,444	28,792
	<u>\$ 5,148,449</u>	<u>5,258,128</u>	<u>(109,679)</u>

While end-of-year fund balance increased by \$380,221, and General Fund expenditures in 2008 decreased by \$855,470, it is important to note that compensated absences increased by \$24,373 or 34%. This is attributed to the employment of additional full-time employees.

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:

	Governmental Activities	
	FY 07	FY 08
Land	\$ 4,292,933	4,292,933
Buildings and Improvements	6,641,061	6,826,387
Machinery, Furniture and Equipment	1,031,751	1,059,884
	<u>11,965,745</u>	<u>12,179,204</u>
Less Accumulated Depreciation	(2,913,729)	(3,333,196)
Capital Assets, net	<u>\$ 9,052,016</u>	<u>8,846,008</u>

Capital assets decreased from the prior year, due to normal depreciation.

BAREFOOT BAY RECREATION DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

Year Ended September 30, 2008

Long-term debt reduction remains steady, as the BBRD continues to pay for bonds issued for the purchase of facilities from Avatar and a new Golf Course irrigation system. The following table presents the outstanding long term debt of the BBRD at September 30, 2008:

	<u>Governmental Activities</u>	
	FY 07	FY 08
Bond Payable	<u>\$5,777,312</u>	<u>\$5,341,244</u>

Economic Factors and Next Year’s Budget and Rates

In spite of a declining economic environment, the overall financial position and results of operations for the BBRD improved during the fiscal year ended September 30, 2008. The BBRD’s monthly assessment fees will be increased by \$1 in fiscal year 2008/09 to improve operations and maintenance.

Request for Information

The 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 32976-7305.

BASIC FINANCIAL STATEMENTS

BAREFOOT BAY RECREATION DISTRICT

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEETS

September 30, 2008

	General Fund	Debt Service Fund	Total	Adjustments (Note 2)	Statement of Net Assets
ASSETS					
Cash and cash equivalents	\$ 1,071,784	\$ 467,751	\$ 1,539,535	\$ -	\$ 1,539,535
Receivables, net	34,619	-	34,619	-	34,619
Inventories	55,956	-	55,956	-	55,956
Other assets	17,271	-	17,271	-	17,271
Property, plant and equipment, net	-	-	-	8,846,008	8,846,008
TOTAL ASSETS	\$ 1,179,630	\$ 467,751	\$ 1,647,381	\$ 8,846,008	\$ 10,493,389
LIABILITIES					
Accounts payable	\$ 38,055	\$ -	\$ 38,055	\$ -	\$ 38,055
Accrued payroll and related liabilities	62,988	-	62,988	-	62,988
Accrued expenses, other	67,773	-	67,773	220,782	288,555
Due to other governments	44,744	-	44,744	-	44,744
Unearned Revenue	83,411	-	83,411	-	83,411
Escrow deposits	10,510	-	10,510	-	10,510
Noncurrent liabilities:					
Due within one year	-	-	-	491,393	491,393
Due in more than one year	-	-	-	4,946,429	4,946,429
TOTAL LIABILITIES	307,481	-	307,481	5,658,604	5,966,085
FUND BALANCES / NET ASSETS					
Fund balances:					
Reserved for debt service	-	467,751	467,751	(467,751)	-
Reserved for inventory	55,956	-	55,956	(55,956)	-
Reserved for prepaids	17,271	-	17,271	(17,271)	-
Unreserved	798,922	-	798,922	(798,922)	-
TOTAL FUND BALANCES	872,149	467,751	1,339,900	(1,339,900)	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,179,630	\$ 467,751	\$ 1,647,381		
NET ASSETS					
Invested in capital assets, net of related debt				3,504,763	3,504,763
Restricted for:					
Debt service				467,751	467,751
Unrestricted				554,790	554,790
TOTAL NET ASSETS				\$ 4,527,304	\$ 4,527,304

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, 2008

	General Fund	Debt Service Fund	Total	Adjustments (Note 2)	Statement of Activities
REVENUES					
Assessments	\$3,246,691	\$ -	\$3,246,691	\$ -	\$ 3,246,691
Charges for services	1,587,309	-	1,587,309	-	1,587,309
Intergovernmental	259,254	-	259,254	-	259,254
Investment income	18,959	5,920	24,879	-	24,879
Other	36,236	-	36,236	-	36,236
TOTAL REVENUES	<u>5,148,449</u>	<u>5,920</u>	<u>5,154,369</u>	<u>-</u>	<u>5,154,369</u>
EXPENDITURES / EXPENSES					
General Government/Recreation	3,767,995	20	3,768,015	24,373	3,792,388
Debit Service:					
Principal	-	436,067	436,067	(436,067)	-
Interest	-	356,610	356,610	(18,028)	338,582
Depreciation	-	-	-	419,464	419,464
Capital outlay	213,456	-	213,456	(213,456)	-
TOTAL EXPENDITURES / EXPENSES	<u>3,981,451</u>	<u>792,697</u>	<u>4,774,148</u>	<u>(223,714)</u>	<u>4,550,434</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,166,998	(786,777)	380,221	-	-
TRANSFERS - INTERNAL ACTIVITIES	<u>(560,000)</u>	<u>560,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND TRANSFERS IN (OUT) OVER EXPENDITURES	606,998	(226,777)	380,221	(380,221)	-
CHANGE IN NET ASSETS	-	-	-	603,935	603,935
FUND BALANCES / NET ASSETS					
BEGINNING OF THE YEAR	<u>265,151</u>	<u>694,528</u>	<u>959,679</u>	<u>-</u>	<u>3,923,369</u>
FUND BALANCES / NET ASSETS END OF THE YEAR	<u>\$ 872,149</u>	<u>\$467,751</u>	<u>\$1,339,900</u>	<u>\$ -</u>	<u>\$ 4,527,304</u>

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

BAREFOOT BAY RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

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.

Program revenues are 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 Community 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, 2008 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 consumption 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, 2008. 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.

Unearned Revenue

Deferred revenue at September 30, 2008 consists primarily of prepaid maintenance, and golf club membership fees.

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 Prepaid** – indicates a portion of the fund balance that does not constitute “available spendable resources,” as it is reserved for expenditures paid in advanced.
- **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 \$3,187,404. Interfund payables and receivables were also eliminated.

Ending governmental fund balances	\$ 1,339,900
Capital assets, net	8,846,008
Long-term debt and accrued compensated absences	(5,437,822)
Accrued interest	<u>(220,782)</u>
Total net assets	<u>\$ 4,527,304</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 \$223,714.

Excess of revenues and transfers in over expenditures and transfers out	\$ 380,221
Less: Depreciation expense	(419,464)
Increase in long-term compensated absences	(24,374)
Add: Decrease in accrued interest	18,029
Capital outlay expenditures	213,456
Long-term debt principal expenditures	<u>436,067</u>
Change in net assets	<u>\$ 603,935</u>

NOTE 3 - DETAILED NOTES ON ALL FUNDS

Deposits and Cash Equivalents

At September 30, 2008, the carrying value of cash deposits, including deposits invested with the State Board of Administration (considered cash equivalents), amounted to \$1,497,217, and the bank balance was \$1,500,273. 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 that are considered more stringent than 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, 2008, were as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Local Government Surplus Funds Trust Fund	<u>\$1,347,816</u>	<u>\$1,347,816</u>

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 August 31, 2009, the District had received all funds which were allocated to Pool B, except for \$43,081.

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	\$ 35,179
Less: allowance	<u>(560)</u>
Net receivables	<u>\$ 34,619</u>

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

Capital asset activity for the year ended September 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$4,292,933	\$ -	\$ -	\$4,292,933
Total capital assets not being depreciated	4,292,933	-	-	4,292,933
Capital assets being depreciated:				
Buildings and improvements	6,641,061	185,326	-	6,826,387
Machinery, furniture and equipment	1,031,754	28,130	-	1,059,884
Total capital assets being depreciated	7,672,815	213,456	-	7,886,271
Less accumulated depreciation for:				
Buildings and improvements	2,202,122	325,772	-	2,527,894
Machinery, furniture and equipment	711,610	93,692	-	805,302
Total accumulated depreciation	2,913,732	419,464	-	3,333,196
Governmental activities capital assets, net	<u>\$9,052,016</u>	<u>\$(206,008)</u>	<u>\$ -</u>	<u>\$8,846,008</u>

Depreciation expense for governmental activities was not allocated to the functions of the District for fiscal year ended September 30, 2008.

Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2008, is as follows:

<u>Transfers</u>		<u>Amount</u>
<u>Receivable Fund</u>	<u>Payable Fund</u>	
Debt Service	General Fund	<u>\$560,000</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.

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt

Changes in Long-Term Debt

Changes in long-term debt for the year ended September 30, 2008, consists of the following:

<u>Description</u>	<u>2007</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>2008</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>	<u>Long-Term</u> <u>Portion</u>
<u>Governmental Activities</u>						
Revenue Bonds Payable, Series 1996A	\$5,398,393	\$ -	\$(406,689)	\$4,991,704	\$431,700	\$4,560,004
Revenue Bonds Payable, Series 2001	378,919	-	(29,378)	349,541	30,719	318,822
Compensated Absences	72,204	24,373	-	96,577	28,974	67,603
	<u>\$5,849,516</u>	<u>\$ 24,373</u>	<u>\$(436,067)</u>	<u>\$5,437,822</u>	<u>\$491,393</u>	<u>\$4,946,429</u>

Long-term debt consists of the following at September 30, 2008:

Governmental Activities:

Public Improvement Revenue Bonds, Series 1996A; due annually to 2017, in amounts ranging from \$695,893 to \$713,679; including interest at 6.15%.	\$4,991,704
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.	349,541
Estimated long-term obligation for accumulated, unused vacation benefits payable from governmental revenues.	<u>96,577</u>
	<u>\$5,437,822</u>

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.

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt (Continued)

Interest Rate Swap

The District has entered into an interest rate swap agreement with the Bondholder (the Counterparty) on October 31, 1996, with an expiration date of January 31, 2017, which effectively changes the variable rate on the Bonds to a fixed rate of 6.15%. As of September 30, 2008, the Swap has a notional amount of \$4,991,704, and the fair value of the swap was \$538,491 representing a liability, which the District would have to pay the Counterparty if the swap had been terminated as of that date.

Pledged Revenues

The bonds are payable solely from the District's revenues, as discussed above, through 2017. Annual principal and interest payments on the bonds are expected to require approximately 16% of these revenues. The total principal and interest remaining on the bonds, as noted above under Debt Service Requirements, is \$7,115,080. Principal and interest paid for the current year and total net revenues from operation of District properties were \$792,697 and \$4,889,195, respectively.

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, 2008, 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>
2009	\$ 30,719	\$ 21,497	\$ 431,700	\$ 306,990	\$ 462,419	\$ 328,487
2010	32,216	19,608	458,250	280,440	490,466	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	36,969	13,379	548,103	190,587	585,072	203,966
2014-2017	180,572	29,668	2,550,871	403,888	2,731,443	433,556
	<u>\$349,541</u>	<u>\$117,330</u>	<u>\$4,991,704</u>	<u>\$1,656,505</u>	<u>\$5,341,245</u>	<u>\$1,773,835</u>

Property Held for Lease

The District is the Lessor of commercial real estate under operating leases expiring in various years through August 2013. Leasing activities and related assets and liabilities are accounted for in the General Fund. Leased property as of September 30, 2008 is summarized as follows:

Land	\$ 217,123
Buildings and improvements	851,013
	<u>1,068,136</u>
Less accumulated depreciation	(332,007)
	<u>\$ 736,129</u>

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

Property Held for Lease (Continued)

Minimum future rentals to be received on noncancelable leases as of September 30, 2008 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2009	\$ 82,076
2010	83,496
2011	83,496
2012	85,691
2013	85,691
Total	<u>\$420,450</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 \$78,891 for fiscal year 2008.

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, 2008 totaled \$177,401. The District also pays premiums for workers' compensation insurance to the Florida League of Cities. Premiums paid for this coverage totaled \$38,153 for the year ended September 30, 2008.

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally 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.

NOTE 4 - OTHER INFORMATION *(Continued)*

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

On July 10, 2009, the Board of Trustees entered into written agreements with the Brevard County Property Appraiser and Brevard County Tax Collector for the collection of its non-ad valorem assessment, and the Chair of the Board is required to certify a non-ad valorem electronic medium to the Tax Collector by September 15 of each year. This agreement will be effective fiscal year 2009-2010.

REQUIRED SUPPLEMENTARY INFORMATION

BAREFOOT BAY RECREATION DISTRICT

**BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND**

For The Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Assessments	\$ 3,378,720	\$ 3,378,720	\$3,246,691	\$ (132,029)
Charges for services	1,795,764	1,795,764	1,587,309	(208,455)
Intergovernmental	19,000	19,000	259,254	240,254
Investment income	57,200	57,200	18,959	(38,241)
Other	7,444	7,444	36,236	28,792
TOTAL REVENUES	5,258,128	5,258,128	5,148,449	(109,679)
EXPENDITURES / EXPENSES				
General Government	3,969,888	3,969,888	3,767,995	201,893
Capital outlay	520,240	520,240	213,456	306,784
TOTAL EXPENDITURES / EXPENSES	4,490,128	4,490,128	3,981,451	508,677
EXCESS OF REVENUES OVER EXPENDITURES	768,000	768,000	1,166,998	398,998
TRANSFERS - INTERNAL ACTIVITIES	(768,000)	(768,000)	(560,000)	208,000
EXCESS OF REVENUES AND TRANSFERS IN (OUT) OVER EXPENDITURES	-	-	606,998	606,998
FUND BALANCES -				
BEGINNING OF THE YEAR	-	-	265,151	265,151
FUND BALANCES -				
END OF THE YEAR	\$ -	\$ -	\$ 872,149	\$ 872,149

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, 2008, and have issued our report thereon dated September 25, 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 Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Council's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Council's financial statements that is more than inconsequential will not be prevented or detected by the Council's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Council's internal control.

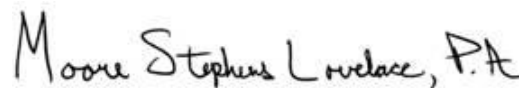
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We believe that the cumulative effect of reportable conditions described in the schedule of findings and recommendations 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 style.

Certified Public Accountants

Orlando, Florida
September 25, 2009

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PRIOR-YEARS' 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 – New Board of Trustees Financial Policies were adopted on May 8, 2009. Changes to the Policy Manual must be approved by the Board by resolution at an advertised public meeting.

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.

Current-Year Status – Finding was not fully resolved to our satisfaction. We did note that journal entries prepared by current staff generally had sufficient documentation to support the journal entry made.

Management Response – Journal Entry Support – The current process being used for journal entries represents an improved and enhanced process over the past practices. This includes all necessary backup documentation, as well as additional approval processes for entries.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
(Continued)

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 employees' 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.

Current-Year Status – During our current-year testing of payroll transactions, all appropriate documentation was available for our review. Therefore, we consider this finding fully resolved.

Management Response – All payroll records for the period are available from the third-party vendor.

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.

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

Management Response – New Board of Trustees Financial Policies were adopted on May 8, 2009. The Treasurer or Chairman signs all checks. Two Board members' signatures are required on checks over \$5,000. Policy 1.2 (3) requires that staff present a listing of all checks paid by the District from the last meeting to the current meeting. The list includes the amount of the check, the vendor and the description.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
(Continued)

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.

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

Management Response – The 2009 tax roll has been sent to the Brevard County Tax Collector for inclusion in the tax bill. Final direct payment of assessments to the BBRD is being received in September, and residents have been advised not to remit to the District after September.

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 Community 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.

Current-Year Status – Finding was not resolved to our satisfaction. In the current year, this issue resulted in audit adjustments to the year-end accrual balances.

Management Response – Accounting staff has received training and is scheduled to attend additional sessions to enhance knowledge in governmental accounting and reporting. In addition, an outside accounting firm will provide input on issues in governmental accounting.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS *(Continued)*

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.

Current-Year Status – During the current year, we noted that accounting staff has been employed for approximately one year. There appears to be a sense of stability coming to the accounting and reporting functions and, therefore, this finding will not be repeated in subsequent years unless this changes.

Management Response - The accounting staff has been in place for approximately a year. In addition to being familiar with their jobs, staff is cross trained to handle multiple functions so that a backup is available for all areas.

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.

Current-Year Status – The results of the current-year financial condition assessment indicated that of the 9 applicable indicators, 5 were favorable, 2 were unfavorable, and 2 were inconclusive. Management and governance continue to take steps to improve the Bay’s financial condition. These steps include reducing operating expenditures where possible. In addition, the Board approved a slight increase in the annual assessment. Therefore, for the current year, we have rated the overall financial condition of the Bay as favorable.

Management Response – The financial position of the District has improved since the last audit in 06/07 with 2 of the 9 indicators being unfavorable versus 5 unfavorable in the previous audit. These positive changes in the financial indicators of the BBRD are indicative of positive operational changes in the District. These positive factors have occurred in spite of the declining performance of the economy, and the difficulty experienced by many governments. The Chairman of the Board of Trustees has assigned the functions of the Audit Committee to the Finance Committee, which is an ongoing committee of the BBRD that meets monthly.

In addition, it is worth to note that the BBRD has continued to make timely payments on debt obligations and has not increased any borrowing.



INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Board 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, 2008, and have issued our report thereon dated September 25, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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 September 25, 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. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address 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. Findings, as reported in the Schedule of Findings and Recommendations, 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 laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts 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, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) 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.

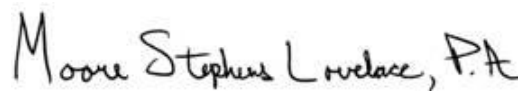
Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority 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, 2008, 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, 2008. In connection with our audit, we determined that these two reports were in agreement.

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

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



Certified Public Accountants

Orlando, Florida
September 25, 2009