

**BAREFOOT BAY RECREATION DISTRICT, FLORIDA**

**Annual Financial Report**

**September 30, 2010**

# **BAREFOOT BAY RECREATION DISTRICT**

## **Board of Trustees**

Chairperson:	Tom Guinther
First Chairperson:	Joseph Klosky
Second Chairperson:	Charles W. Mershon
Secretary:	John McAfee
Treasurer:	Louise Crouse

# CONTENTS

---

	<u>Page Number</u>
<b>REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS</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	19
Schedule of Funding Progress – Other Postemployment Benefits Plan	20
Schedule of Employer Contributions – Other Postemployment Benefits Plan	20
<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>	21
Independent Auditor’s Management Letter	26



## **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, 2010, 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, 2010, 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 28, 2011 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Moore Stephens Lovelace, P.A.*

**MOORE STEPHENS LOVELACE, P.A.**  
Certified Public Accountants

Orlando, Florida  
September 28, 2011

# **BAREFOOT BAY RECREATION DISTRICT**

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

**Year Ended September 30, 2010**

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, 2010. 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, 2010

**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 \$5,764,026. The BBRD has restricted net assets for debt service of \$429,684 at September 30, 2010. The remaining unrestricted net assets of \$1,232,150 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.

<b>ASSETS</b>	<b><u>FY 09</u></b>	<b><u>FY 10</u></b>
Current and Other Assets	\$ 1,783,305	\$ 2,248,123
Deferred Swap Outflow	1,079,778	914,359
Capital Assets, Net	<u>8,747,991</u>	<u>8,490,552</u>
<b>Total Assets and Deferrals</b>	<u>11,611,074</u>	<u>11,653,034</u>
<b>LIABILITIES</b>		
Current and Other Liabilities	541,646	459,619
Long-Term Liabilities	<u>6,034,535</u>	<u>5,429,389</u>
<b>Total Liabilities</b>	<u>6,576,181</u>	<u>5,889,008</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	3,897,331	4,102,192
Restricted for Debt Service	423,567	429,684
Unrestricted	<u>713,995</u>	<u>1,232,150</u>
<b>Total Net Assets</b>	<u>\$ 5,034,893</u>	<u>\$ 5,764,026</u>

Governmental activities increased the BBRD’s net assets by \$728,453 in FY10. This increase resulted from increased program and general revenues, as well as a decrease in long-term debt from the prior year.

<b>Revenues</b>	<b><u>FY 09</u></b>	<b><u>FY 10</u></b>
Program Revenues	\$ 4,843,326	\$ 4,947,135
General Revenues	<u>100,756</u>	<u>283,860</u>
Total Revenues	<u>4,944,082</u>	<u>5,230,995</u>
<b>Expenses</b>		
General Government	4,111,322	4,234,202
Interest on Long-Term Debt	<u>325,171</u>	<u>268,340</u>
Total Expenses	<u>4,436,493</u>	<u>4,502,542</u>
Change in Net Assets	<u>507,589</u>	<u>728,453</u>
Net Assets – Beginning, Restated	<u>4,527,304</u>	<u>5,035,573</u>
Net Assets – Ending	<u>\$ 5,034,893</u>	<u>\$ 5,764,026</u>

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 2010, unreserved fund balance was \$1,484,966 while the total fund balance reached \$1,561,233. General Fund total fund balance increased during the fiscal year ended 2010 by \$519,404. Most of this increase resulted from increased revenues from the prior year.

**BAREFOOT BAY RECREATION DISTRICT**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**Year Ended September 30, 2010**

The Debt Service Fund is a major fund of the BBRD. At the end of the fiscal year 2010, the fund balance of \$429,684 was reserved for future debt service. The fund balance increased by \$6,117 from the prior year as a result of increased investment income.

**General Fund Budgetary Highlights**

The General Fund original budget was adjusted during FY 10. The end-of-year budget increased by \$276,725 for additional capital outlay budgeted expenditure carried from the prior year. The General Fund actual revenues were more than the final budgeted revenues by \$70,821. Income from recreation and golf fees was greater than anticipated. Expenditures and transfers out were less than anticipated by \$725,308. This was mostly attributed to capital projects deferred to a later period, and effective purchasing policies implemented in the current period.

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

<b>EXPENDITURES</b>	<u><b>Actual Amount</b></u>	<u><b>Final Budget Amount</b></u>	<u><b>Variance</b></u>
General Government	\$ 3,777,590	\$ 4,075,059	\$ 297,469
Capital outlay	175,909	603,748	427,839
<b>Total</b>	<u><u>\$ 3,953,499</u></u>	<u><u>\$ 4,678,807</u></u>	<u><u>\$ 725,308</u></u>
<b>REVENUES</b>			
Assessments	\$ 3,366,602	\$ 3,355,020	\$ 11,582
Charges for services	1,580,533	1,560,228	20,305
Investment income	7,767	15,000	(7,233)
Other	268,001	221,834	46,167
<b>Total</b>	<u><u>\$ 5,222,903</u></u>	<u><u>\$ 5,152,082</u></u>	<u><u>\$ 70,821</u></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:

	<u>Governmental Activities</u>	
	<u><b>FY 09</b></u>	<u><b>FY 10</b></u>
Land	\$ 4,292,933	\$ 4,292,933
Construction in Progress	-	21,913
Buildings and Improvements	7,090,286	7,154,596
Software	24,045	27,345
Machinery, Furniture and Equipment	1,106,435	1,178,705
	<u>12,513,698</u>	<u>12,675,492</u>
Less Accumulated Depreciation and Amortization	<u>(3,765,027)</u>	<u>(4,184,940)</u>
<b>Capital Assets, net</b>	<u><u>\$ 8,748,671</u></u>	<u><u>\$ 8,490,552</u></u>

Capital assets increased due to the addition of software and capital projects still in progress at year-end.

**BAREFOOT BAY RECREATION DISTRICT**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**Year Ended September 30, 2010**

Long-term debt reduction remains steady, as the BBRD continues to pay for bonds issued for the purchase of facilities from Avatar and the golf course irrigation system. The following table presents the outstanding bond principal of the BBRD at September 30, 2010:

	<u>Governmental Activities</u>	
	<u>FY 09</u>	<u>FY 10</u>
Bonds Payable	<u>\$4,850,661</u>	<u>\$4,388,361</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, 2010. For fiscal year 2010/11 the assessment rate was unchanged.

**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 Manager 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, 2010

	General Fund	Debt Service Fund	Total	Adjustments (Note 2)	Statement of Net Assets
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,725,154	\$ 429,684	\$ 2,154,838	\$ -	\$ 2,154,838
Receivables, net	17,019	-	17,019	-	17,019
Inventories	53,510	-	53,510	-	53,510
Other assets	22,756	-	22,756	-	22,756
Property, plant and equipment, net	-	-	-	8,490,552	8,490,552
TOTAL ASSETS	1,818,439	429,684	2,248,123	8,490,552	10,738,675
Deferred Swap Outflow	-	-	-	914,359	914,359
TOTAL ASSETS AND DEFERRALS	\$ 1,818,439	\$ 429,684	\$ 2,248,123	9,404,911	11,653,034
<b>LIABILITIES</b>					
Accounts payable	\$ 78,949	\$ -	\$ 78,949	-	78,949
Accrued payroll and related liabilities	27,177	-	27,177	-	27,177
Accrued expenses, other	7,000	-	7,000	202,413	209,413
Due to other governments	38,054	-	38,054	-	38,054
Unearned revenue	92,613	-	92,613	-	92,613
Escrow deposits	13,413	-	13,413	-	13,413
Noncurrent liabilities:					
Due within one year	-	-	-	550,329	550,329
Due in more than one year	-	-	-	4,879,060	4,879,060
TOTAL LIABILITIES	257,206	-	257,206	5,631,802	5,889,008
<b>FUND BALANCES / NET ASSETS</b>					
Fund balances:					
Reserved for debt service	-	429,684	429,684	(429,684)	-
Reserved for inventory	53,511	-	53,511	(53,511)	-
Reserved for prepaids	22,756	-	22,756	(22,756)	-
Unreserved	1,484,966	-	1,484,966	(1,484,966)	-
TOTAL FUND BALANCES	1,561,233	429,684	1,990,917	(1,990,917)	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,818,439	\$ 429,684	\$ 2,248,123		
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt				4,102,192	4,102,192
Restricted for:					
Debt service				429,684	429,684
Unrestricted				1,232,150	1,232,150
TOTAL NET ASSETS				\$ 5,764,026	\$ 5,764,026

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, 2010

	General Fund	Debt Service Fund	Total	Adjustments (Note 2)	Statement of Activities
REVENUES					
Assessments	\$ 3,366,602	\$ -	\$ 3,366,602	\$ -	\$ 3,366,602
Charges for services	1,580,533	-	1,580,533	-	1,580,533
Investment income	7,767	8,092	15,859	-	15,859
Other	268,001	-	268,001	-	268,001
TOTAL REVENUES	5,222,903	8,092	5,230,995	-	5,230,995
EXPENDITURES / EXPENSES					
General Government/Recreation	3,777,590	11	3,777,601	22,572	3,800,173
Debit Service:					
Principal	-	462,300	462,300	(462,300)	-
Interest	-	289,664	289,664	(21,324)	268,340
Depreciation	-	-	-	434,029	434,029
Capital outlay	175,909	-	175,909	(175,909)	-
TOTAL EXPENDITURES / EXPENSES	3,953,499	751,975	4,705,474	(202,932)	4,502,542
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,269,404	(743,883)	525,521	-	-
TRANSFERS	(750,000)	750,000	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND TRANSFERS IN (OUT) OVER EXPENDITURES	519,404	6,117	525,521	(525,521)	-
CHANGE IN NET ASSETS	-	-	-	728,453	728,453
FUND BALANCES / NET ASSETS					
BEGINNING OF THE YEAR (RESTATED)	1,041,829	423,567	1,465,396	-	5,035,573
FUND BALANCES / NET ASSETS END OF THE YEAR	\$ 1,561,233	\$ 429,684	\$ 1,990,917	\$ -	\$ 5,764,026

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

# BAREFOOT BAY RECREATION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

September 30, 2010

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Financial Reporting Entity**

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 Florida PRIME (“Florida PRIME”) and the Fund B Surplus Funds Trust Fund (“Fund B”). Florida Statutes require the District to deposit public funds in qualified public depositories. Cash deposits as of September 30, 2010 are insured by federal depository insurance and the Public Depository Trust Fund.

#### ***Interfund 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 “due to/from other funds” (i.e., the current portion of interfund loans). Any residual balances outstanding between the General Fund and Debt Service Fund are reported in the government-wide financial statements as “interfund balances.”

#### ***Inventories and Prepaids***

Inventories are stated at cost (first-in, first-out method). Inventories of governmental funds are accounted for under the consumption method. Prepaids represent payments made to vendors for services that will benefit beyond September 30, 2010. These payments are recorded as expenditures or expenses when consumed, rather than when purchased.

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

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

#### ***Capital Assets***

Capital assets include property, property improvements, equipment, and software. Capital assets 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, improvements, equipment and software over \$500. Capital assets are depreciated or amortized using the straight-line method over the estimated useful lives of the various classes of capital assets, which ranges from 5 - 40 years.

#### ***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***

Unearned revenue at September 30, 2010 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 Inventories** – indicates a portion of the fund balance that does not constitute “available spendable resources,” as it is reserved for inventories on hand.
- **Reserve for Prepays** – indicates a portion of the fund balance that does not constitute “available spendable resources,” as it is reserved for expenditures paid in advance.
- **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 \$3,773,109. Interfund payables and receivables were also eliminated.

Ending governmental fund balances	\$ 1,990,917
Capital assets, net	8,490,552
Deferred swap outflow	914,359
Long-term liabilities	(5,429,389)
Accrued interest	<u>(202,413)</u>
Total net assets	<u>\$ 5,764,026</u>

Adjustments were made to include depreciation and amortization expense; record the increase in long-term compensated absences, other postemployment benefits, 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 \$202,932.

Excess of revenues and transfers in over expenditures and transfers out	\$ 525,521
Less: Depreciation expense	(434,029)
Increase in other long-term liabilities	(22,572)
Decrease in accrued interest	21,324
Add: Capital outlay expenditures	175,909
Long-term debt principal expenditures	<u>462,300</u>
Change in net assets	<u>\$ 728,453</u>

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

**Deposits and Investments**

At September 30, 2010, the carrying value of demand deposits, including deposits invested with the State Board of Administration (considered cash equivalents) amounted to \$2,154,838, and the bank balance was \$2,176,423. 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 (Florida PRIME and Fund B) are fully secured by Government Securities, as required by Florida Statutes, Chapter 215.47.

The Florida PRIME is an external 2a7-like investment pool, which is presented at share price. All fair market valuations are based on quoted market prices. Florida PRIME pool shares are based on amortized cost, which approximates fair market value, of the Florida PRIME’s underlying portfolio. The Florida PRIME is not a registrant with the Securities and Exchange Commission. Fund B is an external investment pool, which is accounted for as a fluctuating net asset value (NAV) pool. The Fund B fair value factor at September 30, 2010 was .70705809, which was used to calculate the fair value of the District’s investment. The Office of the Auditor General of the State of Florida performs the operational audit of the activities and investments of the Florida PRIME and Fund B.

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

**Deposits and Investments (Continued)**

The following is a summary of the District's investments at September 30, 2010:

	Fair Value	Weighted Average Maturity
Florida PRIME	\$1,462,117	52 days
Fund B	23,117	Weighted average life = 7.49 years
	<u>\$1,485,234</u>	

Interest Rate Risk – To mitigate interest rate risk, the District's investment policy requires that the investment portfolio structure maturities meet the District's cash needs for ongoing operations and that operating funds be invested primarily in short-term securities.

Credit Risk – To mitigate credit risk, the District's investment policy limits the minimum credit quality of investments, as rated by nationally recognized statistical rating organizations (NRSROs). The District primarily invests in the Florida PRIME and Fund B. The Florida PRIME's rating at September 30, 2010 was AAAM with Standard and Poor's. Fund B is not rated by an NRSRO.

Concentration of Credit Risk – To mitigate concentration of credit risk, the District diversifies its investments to an extent that is practical given the safety of investments and associated return, in compliance with its investment policy.

**Interfund Transfers**

The composition of interfund transfers as of September 30, 2010, is as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Debt Service	General Fund	<u>\$750,000</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.

**Accounts Receivable**

Receivables as of year-end for the District's general fund amounted to \$172,337, less an allowance for uncollectible accounts of \$(155,318).

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

**Capital Assets**

Capital asset activity for the year ended September 30, 2010, 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
Construction in progress	-	21,913	-	21,913
Total capital assets not being depreciated	4,292,933	21,913	-	4,314,846
Capital assets being depreciated and amortized:				
Buildings and improvements	7,090,286	64,310	-	7,154,596
Software	24,045	3,300	-	27,345
Machinery, furniture and equipment	1,106,435	86,386	(14,116)	1,178,705
Total capital assets being depreciated	8,220,766	153,996	(14,116)	8,360,646
Less accumulated depreciation and amortization for:				
Buildings and improvements	2,870,854	353,757	-	3,224,611
Software	22,827	1,269	-	24,096
Machinery, furniture and equipment	871,346	79,003	(14,116)	936,233
Total accumulated depreciation and amortization	3,765,027	434,029	(14,116)	4,184,940
Governmental activities capital assets, net	<u>\$8,748,672</u>	<u>\$ (258,120)</u>	<u>\$ -</u>	<u>\$8,490,552</u>

Depreciation and amortization expense for governmental activities was not allocated to the functions of the District for the fiscal year ended September 30, 2010.

**Long-Term Liabilities**

***Changes in Long-Term Liabilities***

Changes in long-term liabilities for the year ended September 30, 2010, consists of the following:

<u>Description</u>	<u>2009 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>2010 Balance</u>	<u>Due Within One Year</u>	<u>Long-Term Portion</u>
<b><u>Governmental Activities</u></b>						
Revenue Bonds Payable, Series 1996A	\$4,531,839	\$ -	\$(430,085)	\$4,101,754	\$486,432	\$3,615,322
Revenue Bonds Payable, Series 2001	318,822	-	(32,215)	286,607	33,736	252,871
Fair Value Adjustment - Swap	1,079,778	-	(165,419)	914,359	-	914,359
Other Postemployment Benefits	-	26,133	-	26,133	-	26,133
Compensated Absences	104,096	-	(3,560)	100,536	30,161	70,375
	<u>\$6,034,535</u>	<u>\$ 26,133</u>	<u>\$(631,279)</u>	<u>\$5,429,389</u>	<u>\$550,329</u>	<u>\$4,879,060</u>

The beginning balance in the schedule has been restated for implementation of GASB Statement No. 53.

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

**Long-Term Liabilities (Continued)**

Long-term debt consists of the following at September 30, 2010:

**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%.	\$4,101,754
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.	<u>286,607</u>
	<u>\$4,388,361</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.

***Interest Rate Swap***

The District is a party to an interest rate swap agreement that is not recorded in the financial statements in accordance with the recently issued GASB Statement No. 53 (“GASB 53”), “Accounting and Financial Reporting for Derivative Instruments,” which was in effect for periods beginning with fiscal year ended September 30, 2010. The derivative is to be reported in the Statement of Net Assets at fair value, and the hedges must be tested for effectiveness to qualify for hedge accounting. Depending on the test results, the change in fair value is either reported in the Statement of Net Assets, or in the Statement of Activities.

The District performed the required test on this swap, and deemed the swap effective and it qualified for hedge accounting. Therefore, the change in fair value of the interest rate swap for this period was reported as a derivative swap liability of (\$914,359), offset by a corresponding deferred outflow account in the Statement of Net Assets. The option for cancelling this swap is only available to the District and not to the Counterparty.

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

**Long-Term Liabilities (Continued)**

Following are disclosures of key aspects of this agreement:

Objective of the Interest Rate Swap - The District entered into a variable to fixed rate swap agreement for its 1996 Series Public Improvement Revenue Bond dated October 31, 1996. The objective was to achieve lower borrowing costs, as compared to issuing regular fixed rate bonds at the time, by synthetically fixing interest rates on the note.

Terms - The Swap, with a notional amount of \$8,400,000, became effective on October 31, 1996. Under the terms of the swap agreement, the District will pay the Counterparty a fixed annual interest rate of 6.15%. The District will receive from the Counterparty a variable payment based on a floating rate structure from January 31, 1997 through January 31, 2017; the interest rate is based on 62.55% of the Prime Rate based on the Federal Reserve System H.15. The swap had a negative fair value of (\$914,359) as of September 30, 2010.

Credit Risk - Should the interest rate on the swap exceed the fixed rate, and the counterparty enters into bankruptcy proceedings, the District may not be able to collect the value of the swap. If there is a terminating event and the interest on the swap is less than the fixed rate, the District may be required to pay the counterparty the negative value of the swap.

Interest Rate Risk - The swap agreement is to fix the interest rate on the variable rate of the bond. As interest rates increase above the value of the swap, the value of the swap increases. As interest rates decrease below the swap interest rate, the value of the swap decreases.

Basis Risk - Basis risk is the risk that the interest rate paid by the District on underlying variable rate bonds to bondholders differs from the variable swap rate received from the applicable counterparty. The swap does not expose the District to basis risk since the District receives the same percentage of the Prime Rate to offset the variable rate the District pays on its bonds.

Termination Risk - The District has the option to terminate the swap prior to its expiration by paying the remaining balance on the 1996 note. The Counterparty may terminate the swap if the District fails to perform under the terms of the contract.

Rollover Risk - The District is exposed to rollover risk on swaps if it is terminated prior to the maturity of the associated debt. If this swap is terminated prior to the maturity of the bonds, the District will not realize the synthetic fixed rate offered by the swaps on the underlying debt issues.

Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Termination Date	Fair Value	Counterparty	Counterparty Credit Rating
Series 1996 \$ 4,101,754	10/31/1996	6.15%	62.55 % PRIME H.15	1/31/2017	\$ (914,359)	Bank of America	Aa2/AA/AA-

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

**Long-Term Liabilities (Continued)**

***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 15% of these revenues. The total principal and interest remaining on the bonds, as noted above under Debt Service Requirements, is \$5,533,661. Principal and interest paid for the current year and total net revenues from operation of District properties were \$751,964 and \$5,230,995, 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, 2010, 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>
2011	\$ 33,736	\$ 17,626	\$ 486,432	\$ 252,258	\$ 520,168	\$ 269,884
2012	35,329	15,551	516,348	222,342	551,677	237,893
2013	36,969	13,379	548,103	190,587	585,072	203,966
2014	38,743	11,105	581,811	156,878	620,554	167,983
2015	40,572	8,722	617,593	121,097	658,165	129,819
2016-2017	101,258	9,842	1,351,467	125,913	1,452,725	135,755
	<u>\$286,607</u>	<u>\$76,225</u>	<u>\$4,101,754</u>	<u>\$1,069,075</u>	<u>\$4,388,361</u>	<u>\$1,145,300</u>

**Property Held for Lease**

The District is the Lessor of commercial real estate under operating leases expiring in various years through August 2014. Leasing activities and related assets and liabilities are accounted for in the General Fund. Leased property as of September 30, 2010 is summarized as follows:

Land	\$ 217,123
Buildings and improvements	<u>851,931</u>
	1,069,054
Less accumulated depreciation	<u>(400,661)</u>
	<u>\$ 668,393</u>

Minimum future rentals to be received on noncancelable leases as of September 30, 2010 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2011	\$ 84,505
2012	84,932
2013	84,932
2014	84,932
2015	<u>84,932</u>
Total	<u>\$424,233</u>

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

#### **Property Held for Lease**

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 \$108,276 for fiscal year 2010.

#### **Other Postemployment Benefits**

##### **Plan Description**

Effective for the fiscal year ended September 30, 2010, the District implemented GASB Statement No. 45, *Accounting and Reporting for Postemployment Benefits Other than Pensions* (“GASB No. 45”), for certain postemployment healthcare and life insurance benefits provided by the District.

The Other Postemployment Benefit Plan (“OPEB Plan”) is a single-employer benefit plan administered by the District. Retirees are charged whatever the insurance company charges for the type of coverage elected. However, the premiums charged by the insurance company are based on a blending of the experience among younger active employees and older retired employees. Since the older retirees actually have higher costs, it means that the District is actually subsidizing the cost of the retiree coverage because it pays all or a significant portion of that premium on behalf of the active employees. GASB No. 45 calls this the “implicit rate subsidy.”

Retirees and their dependents are permitted to remain covered under the District’s respective medical and insurance plans as long as they pay a full premium applicable to coverage elected. This conforms to the minimum required of Florida governmental employers per Ch. 112.08, F.S. The OPEB Plan does not issue a stand-alone report.

##### **Funding Policy**

For the OPEB Plan, contribution requirements of the District are established and may be amended through action of the District Board. Currently, there are 31 active participants and no retirees. The District’s OPEB benefits are unfunded. The required contributions are based on pay-as-you-go financing requirements. There is no Trust Fund or equivalent arrangement into which the District would make contributions to advance-fund the obligation. Therefore, ultimate subsidies, which are provided over time, are financed directly by general assets of the District, which are invested in short-term investments in accordance with the investment policy and described previously. The interest rate used to calculate the present value and cost of OPEB must be the long-range expected return on those investments. The District selected an interest rate of 6% for this purpose.

##### **Annual OPEB Cost and Net OPEB Obligation**

The District’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (“ARC”). The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is

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

**Other Postemployment Benefits (Continued)**

**Annual OPEB Cost and Net OPEB Obligation (Continued)**

projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's net obligation to the OPEB Plan:

	<b>2010</b>
	<b><u>Fiscal Year</u></b>
Normal Cost (service cost for one year)	\$ 23,782
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	19,421
Interest on Normal Cost and Amortization	2,592
Annual Required Contribution (ARC)	<u>45,795</u>
As a percentage of covered payroll	5.44%
Annual Required Contribution (ARC)	45,795
Interest on Net OPEB Obligation	-
Adjustment to ARC	-
Annual OPEB Cost (Expense)	<u>45,795</u>
Less: Employer Contributions Made	<u>19,662</u>
Increase (Decrease) in Net OPEB Obligation	26,133
Net OPEB Obligation at beginning of year	<u>-</u>
Net OPEB Obligation at end of year	<u><u>\$ 26,133</u></u>

The District's annual OPEB cost, the percentage of annual expected employer contribution toward OPEB cost, and the net OPEB obligation for 2010 with no applicable preceding years, were as follows:

<b><u>Fiscal Year</u></b>	<b><u>Annual OPEB</u></b>	<b><u>Employer</u></b>	<b><u>Percentage of</u></b>	<b><u>Net</u></b>
<b><u>Ended</u></b>	<b><u>Cost</u></b>	<b><u>Contributions</u></b>	<b><u>Annual OPEB</u></b>	<b><u>OPEB</u></b>
		<b><u>toward the</u></b>	<b><u>Cost</u></b>	<b><u>Obligation</u></b>
		<b><u>OPEB Cost</u></b>	<b><u>Contributed</u></b>	
9/30/2010	\$ 45,795	\$ 19,662	42.93%	\$ 26,133

**Funded Status and Funding Progress**

As of October 1, 2009, the OPEB Plan was unfunded. The actuarial accrued liability ("AAL") for benefits was \$396,208. Assets of the OPEB Plan are valued at market; however, the current value is \$-0-, resulting in an unfunded actuarial accrued liability ("UAAL") of \$396,208. The covered payroll (annual payroll of active employees covered by the OPEB Plan) was \$841,337. The ratio of the UAAL to the covered payroll was 47.09%.

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

**Other Postemployment Benefits (Continued)**

**Funded Status and Funding Progress (Continued)**

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the OPEB Plan and the ARC are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL.

**Methods and Assumptions**

Projections for benefits for financial reporting purposes are based on the substantive plan, and include the types of benefits provided at the time of the calculation and based on the pattern of sharing of costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following simplifying assumptions were used. Active plan members were assumed to retire at age 62 and their marital status was assumed to remain the same. Life expectancies were based on mortality tables from the National Center for Health Statistics (2005 U.S. Life Table was used). Nongroup-specific, age-based turnover data from GASB No. 45 was used. The healthcare cost trend rate was obtained from industry standards of 9%, reduced annually to an ultimate rate of 5% after five years. The inflation rate and payroll growth rate of 3% were based on Consumer Price Index projections. A simplified version of the entry age actuarial cost method was used with amortization of the UAAL as a level percent of expected payroll (closed). The remaining amortization period at September 30, 2010, was 30 years.

**Restatement of Net Assets**

During the fiscal year ended September 30, 2010, GASB Statement No. 51 was implemented, resulting in the restatement of beginning net assets for governmental activities. GASB Statement No. 51 related to accounting for intangible assets. Software capital assets were added in accordance with the look-back period of the Statement. The components of the restatement are outlined in the following table:

Beginning Net Assets	\$5,034,893
Addition of Software Capital Assets (net)	680
Beginning Net Assets, Restated	<u>\$5,035,573</u>

## **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, 2010 totaled \$115,707. The District also pays premiums for workers' compensation insurance to the Florida League of Cities. Premiums paid for this coverage totaled \$32,318 for the year ended September 30, 2010.

### **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.

### **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.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**BAREFOOT BAY RECREATION DISTRICT**

**BUDGETARY COMPARISON SCHEDULE -  
GENERAL FUND**

**For The Year Ended September 30, 2010**

	<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	\$ 3,355,020	\$ 3,355,020	\$ 3,366,602	\$ 11,582
Charges for services	1,560,228	1,560,228	1,580,533	20,305
Investment income	15,000	15,000	7,767	(7,233)
Other	221,834	221,834	268,001	46,167
TOTAL REVENUES	<u>5,152,082</u>	<u>5,152,082</u>	<u>5,222,903</u>	<u>70,821</u>
<b>EXPENDITURES / EXPENSES</b>				
General Government	4,075,059	4,075,059	3,777,590	297,469
Capital outlay	327,023	603,748	175,909	427,839
TOTAL EXPENDITURES / EXPENSES	<u>4,402,082</u>	<u>4,678,807</u>	<u>3,953,499</u>	<u>725,308</u>
EXCESS OF REVENUES OVER EXPENDITURES	750,000	473,275	1,269,404	796,129
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Transfers	(750,000)	(750,000)	(750,000)	-
Fund Balance appropriated	-	276,725	-	(276,725)
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>(750,000)</u>	<u>(473,275)</u>	<u>(750,000)</u>	<u>(276,725)</u>
EXCESS OF REVENUES AND TRANSFERS IN OVER EXPENDITURES (OUT)	-	-	519,404	519,404
<b>FUND BALANCES -</b>				
BEGINNING OF THE YEAR	<u>-</u>	<u>-</u>	<u>1,041,829</u>	<u>1,041,829</u>
<b>FUND BALANCES -</b>				
END OF THE YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,561,233</u>	<u>\$ 1,561,233</u>

**SCHEDULE OF FUNDING PROGRESS -  
OTHER POSTEMPLOYMENT BENEFITS PLAN**

Alternative Measurement Method Calculation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)		Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
		Simplified Entry Age (b)					
10/1/2009	\$ -	\$ 396,208		\$ 396,208	0.00%	\$ 841,337	47.1%

**BAREFOOT BAY RECREATION DISTRICT**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS -  
OTHER POSTEMPLOYMENT BENEFITS PLAN**

Year Ended September 30,	Annual Required Contribution	Annual OPEB Cost	District Contribution	Percentage Contributed	Net OPEB Obligation
2010	\$ 45,795	\$ 45,795	\$ 19,662	42.9%	\$ 26,133

## **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, 2010, and have issued our report thereon dated September 28, 2011. 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 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Recommendations, we consider Finding #10-1 to be a material weakness and we identified other deficiencies in internal control over financial reporting that when combined we also consider to be a material weakness.

### **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, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We have issued a management letter to the Board of Trustees, Barefoot Bay, Florida, dated September 28, 2011, presenting certain required disclosures and comments pursuant to Rules of the Auditor General, Chapter 10.550.

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Recommendations. We did not audit the District's responses and, accordingly, we express no opinion on them.

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 blue ink that reads "Moore Stephens Lovelace, P.A." The signature is written in a cursive, flowing style.

**MOORE STEPHENS LOVELACE, P.A.**  
Certified Public Accountants

Orlando, Florida  
September 28, 2011

## SCHEDULE OF FINDINGS AND RECOMMENDATIONS

### PRIOR YEAR FINDINGS:

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

##### **Finding Type: Significant Deficiency**

**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.

**Recommendation** – We recommend that current financial policies and procedures be formalized in a written document and approved by the Board. Review of these policies and procedures for accuracy and relevance should be performed on an ongoing basis.

**Current-Year Status** – The Board approved various financial policies in the prior fiscal year. However, as of the current fiscal year end not all financial accounting and reporting procedures have been developed, implemented and submitted to the Board. Therefore, we do not consider this finding to be fully corrected.

**Management Response** – In May 2009, the District Board of Trustees revised the Policy Manual, removing “procedures.” Job Instruction Training and Procedures are established and updated by management on an “as-needed” basis. Department Managers are responsible for instruction and training on the updated Job Instruction Training and Procedure Manual, per policy 1.3 of the District Policy Manual.

#### **Finding 07-04 – Assessments Receivable**

##### **Finding Type: Deficiency**

**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** – Currently, all District assessments are collected by the Brevard County Tax Collector. However, receivables from prior years still need to be evaluated for collectability. District staff began this evaluation subsequent to the current year end. Therefore, we do not consider this finding to be fully corrected as of September 30, 2010.

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**(Continued)**

**Management Response** – The District continues to collect delinquent assessments that were outstanding prior to annual assessments being collected by Brevard County Tax Collector, as well as adjustments to sub-ledgers, as necessary.

**Finding 07-05 – Year-End Closing**

**Finding Type: Significant Deficiency**

**Finding** – Accounting staff of the District currently does 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** – The year-end closing process continues to improve, resulting in a reduced number of audit adjustments for fiscal year 2010, compared to prior years. However, during the current year, we still identified an audit adjustment related to capital asset balances. This adjustment occurred subsequent to District staff providing us with a closed trial balance. Therefore, while we have noted improvement in this area, we do not consider this finding to be fully resolved.

**Management Response** – In processing capital assets for the fiscal year, staff included items that were not in fiscal year 09/10; were 10/11. Further oversight by the Finance Manager will resolve this finding.

**CURRENT YEAR FINDINGS:**

**Finding 10-01 – Bank Account Reconciliation**

**Finding Type: Material Weakness**

**Finding** – During the current year audit, we noted that month end bank reconciliations had not been prepared on a timely basis. Bank statements were accumulated for several months before they were reconciled to the appropriate general ledger control accounts. Not reconciling the accounts on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis. Also, it is generally easier and less time-consuming to reconcile accounts while transactions are still fresh in mind.

**Criteria** – To ensure proper accounting and reporting, bank reconciliations should be prepared and reviewed on a monthly basis to detect errors or other problems in a timely manner.

**Recommendation** – We recommend that all bank accounts be reconciled each month prior to preparation of the monthly financial statements. Timely is considered to be as soon as reasonably possible after the end of the month and no later than thirty days after the month has ended.

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
*(Continued)*

**Management Response** – A procedure has been written that will train a staff member to reconcile the bank statements within 10 days of receipt of statement, reviewed and approved by the Finance Manager (recommended by independent auditors) and the Community Manager, then copied to the Board of Trustees Treasurer.

**Finding 10-02 – Budget Process**

**Finding Type: Deficiency**

**Finding** – During the current year audit, we noted that the Board amended the budget on October 27, 2009. However, this amendment was not posted to the District’s budget reporting system. In addition, the amendment was not properly reflected in the financial statements presented to us for audit. It appeared that the original budget and all amendments had been properly approved and current year actual expenditures were within budgeted amounts.

**Criteria** – To ensure proper control over expenditures, the original approved budget and all subsequent amendments should be posted in the budget/accounting system.

**Recommendation** – We recommend that the District institute procedures to ensure that all budget amendments are properly reported in the accounting/budget system, as well as properly reflected in the financial statements.

**Management Response** – The procedure to ensure budget amendments was established prior to the beginning of the current fiscal year. Subsequently, the budget adjustment for 2010/11 was completed correctly.



## **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, 2010, and have issued our report thereon dated September 28, 2011.

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. 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 28, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned report on compliance and other matters.

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 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, as reported in Current-Year Status of the prior year findings in the aforementioned report on compliance and other matters.

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 contracts or grant agreements or abuse that have occurred, or likely to have occurred, that have an effect on the financial statement 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, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grants agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. 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, 2010, 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, 2010. 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.



**MOORE STEPHENS LOVELACE, P.A.**  
Certified Public Accountants

Orlando, Florida  
September 28, 2011