

BAREFOOT BAY RECREATION DISTRICT, FLORIDA

Annual Financial Report

Year Ended September 30, 2018

BAREFOOT BAY RECREATION DISTRICT

Board of Trustees as of September 30, 2018

Chairperson:	Joe Klosky
First Vice Chairperson:	David Wheaton
Second Vice Chairperson:	Luann Henderson
Secretary:	Steve Diana
Treasurer:	Randy Loveland

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Barefoot Bay Recreation District
Barefoot Bay, Florida

Report on the Financial Statements

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to in the first paragraph 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, 2018, 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.

INDEPENDENT AUDITOR'S REPORT
(Concluded)

Emphasis-of-Matter – Change in Accounting Principle

As discussed in Note 4 to the financial statements, in the year ended September 30, 2018, the District adopted the provisions of Government Accounting Standards Board Statement (“GASBS”) Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of GASBS 75, the District reported a restatement for the change in accounting principle as of October 1, 2017. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, Budgetary Comparison Schedule, and the Schedule of Changes in the District’s Total OPEB Liability and Related Ratios, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2019, 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, contracts, and grant agreements 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.



MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
March 1, 2019

BAREFOOT BAY RECREATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended September 30, 2018

As management of the Barefoot Bay Recreation District (the "District"), we offer readers of the District's financial statements this overview and analysis of financial activities of the District for the fiscal year ended September 30, 2018. Please read the information presented here in conjunction with the financial statements and accompanying notes following this Management's Discussion and Analysis (the "MD&A").

Financial Highlights

- The assets of the District exceeded its liabilities and deferred inflows at the close of the fiscal year 2018 by \$10,202,109 (net position). Of this amount, \$2,080,832 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased by \$708,820. The majority of this increase is attributable to the reclassification of principal debt payments and capital outlay. The increase also includes a restatement of beginning net position for the District's other postemployment benefits liability discussed in the notes to the financial statements.
- As of September 30, 2018, the District's General Fund reported ending fund balance of \$1,978,874, an increase of \$70,298 in comparison with the prior year. Approximately 94% of this amount (\$1,859,299) is available for spending at the government's discretion (unassigned fund balance).
- The District's capital assets increased by \$658,233 in fiscal year 2018, as several large projects were started or completed, including stormwater improvements and the new administration building.

Overview of the Financial Statements

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

The *Statement of Net Position and Governmental Fund Balance Sheet* presents information on all of the District's assets, deferred outflows, liabilities and deferred inflows, with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of the financial position of the District.

The *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance* presents information showing how the District's net position changed during the most recent fiscal year. The District uses the economic resources measurement focus and the accrual basis of accounting. All changes in net position 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.

BAREFOOT BAY RECREATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended September 30, 2018

It was the intention of the Governmental Accounting Standards Board ("GASB"), 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 District 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 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 financial statements can be found after the Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance.

Financial Analysis

As noted earlier, net position may serve, over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities and deferred inflows by \$10,202,109 at the close of the fiscal year ended September 30, 2018.

As shown in the upcoming table, the largest portion of the District's net position (80%) reflects its investment in capital assets (e.g., land, buildings, improvements, machinery, equipment, and intangibles) less any related debt used to acquire those assets. The District uses these capital assets to provide service to its citizens; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net position (\$2,080,832) is available to meet the District's obligations to citizens.

At the close of fiscal year ended September 30, 2018, there was a \$708,820 increase in total net position from the prior year. This included a restatement of beginning net position of \$38,918 for the implementation of GASB Statement No. 75. Additional information can be found in the notes to financial statements. The largest increase occurred in the net investment in capital assets from \$7.6 million to \$8.1 million, mostly due to stormwater improvements at Cherokee and Tamarind roads, and construction on the new administration building. This increase in net position correlated with the increase of \$658,233 in capital assets.

Long-term liabilities decreased by \$89,557 from the prior year, due to the scheduled debt service payment of the District's loan and a reduction in other postemployment benefits liability. Other liabilities increased by \$123,507 from the prior year, due to additional accrued construction invoices for several ongoing projects.

BAREFOOT BAY RECREATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended September 30, 2018

The District's Net Position

ASSETS	<u>FY 18</u>	<u>FY 17</u>
Current and Other Assets	\$ 2,360,529	\$ 2,275,175
Capital Assets, Net	8,412,018	7,753,785
Total Assets	10,772,547	10,028,960
LIABILITIES		
Current and Other Liabilities	356,687	233,180
Long-Term Liabilities	212,934	302,491
Total Liabilities	569,621	535,671
DEFERRED INFLOWS		
Deferred Inflow - OPEB	817	-
NET POSITION		
Net Investment in Capital Assets	8,121,277	7,608,201
Unrestricted	2,080,832	1,885,088
Total Net Position	\$ 10,202,109	\$ 9,493,289

In fiscal year 2018, there was an overall increase in the District's net position of \$669,902 attributed to current-year activities. The majority of this increase is due to the reclassification of capital outlay in excess of depreciation expense. Capital and operating grant revenues increased by \$81,311 over the prior year for recreation improvements and hurricane reimbursement. Expenses increased by \$207,625 primarily from non-capitalized repairs and improvements.

The District's Changes in Net Position

Revenues	<u>FY 18</u>	<u>FY 17</u>
Program Revenues		
Assessments	\$ 3,606,475	\$ 3,530,317
Charges for Services	2,151,634	2,017,624
Operating Grants and Contributions	20,779	-
Capital Grants and Contributions	60,532	-
General Revenues		
Investment Income	25,164	20,873
Other	325,171	285,914
Total Revenues	6,189,755	5,854,728
Expenses		
General Government	5,517,490	5,299,436
Interest on Long-Term Debt	2,363	12,792
Total Expenses	5,519,853	5,312,228
Change in Net Position	669,902	542,500
Net Position – Beginning, Original	9,493,289	8,950,789
Adjustment to Net Position	38,918	-
Net Position – Beginning, Restated	9,532,207	8,950,789
Net Position – Ending	\$ 10,202,109	\$ 9,493,289

BAREFOOT BAY RECREATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended September 30, 2018

Financial Analysis of the District's Fund

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

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

The *General Fund* is the operating fund of the District. At the end of fiscal year 2018, unassigned fund balance was \$1,859,299 while the total fund balance reached \$1,978,874. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 30% of total fiscal year 2018 General Fund expenditures. Total fund balance represents 32% of total fiscal year 2018 General Fund expenditures. The total fund balance of the District's General Fund minimally increased during the fiscal year ended 2018 by \$70,298, due to effective budgeting strategies.

General Fund Budgetary Highlights

The General Fund original budgeted expenditures were increased by \$1,090,628 during fiscal year ended 2018 primarily for additional capital carryforward funds from the prior year. Actual expenditures were less than the final budget by \$1,011,745. This was mostly attributed to budgeted capital projects and major repairs not completed in the year.

The following schedule shows the differences between the General Fund's actual revenues and expenditures and its amended budget:

	Actual Amount	Final Budget Amount	Variance
EXPENDITURES			
General Government	\$ 5,115,216	\$ 4,913,193	\$ (202,023)
Debt service	34,784	34,784	-
Capital outlay	1,073,578	2,287,346	1,213,768
Total	<u>\$ 6,223,578</u>	<u>\$ 7,235,323</u>	<u>\$ 1,011,745</u>
REVENUES			
Assessments	\$ 3,606,475	\$ 3,611,577	\$ (5,102)
Charges for services	2,151,634	2,095,409	56,225
Operating grant and contributions	6,343	-	6,343
Capital grants and contributions	179,089	50,000	129,089
Investment income	25,164	6,500	18,664
Other	325,171	292,913	32,258
Total	<u>\$ 6,293,876</u>	<u>\$ 6,056,399</u>	<u>\$ 237,477</u>

BAREFOOT BAY RECREATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended September 30, 2018

Capital Assets and Long-Term Debt

Capital Assets

Capital asset management is divided between major systems turned over to Brevard County, which includes streets, roads and utilities; and those assets that the District is directly responsible for, which consists of all the common areas and recreational facilities regarded as amenities by the residents. The District's investment in capital assets (net of accumulated depreciation/amortization) for its governmental activities as of September 30, 2018 amounts to \$8,412,018, an increase of \$658,233 from the prior year. This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, vehicles, and construction in progress.

The following table presents the capital assets of the District at September 30, 2018:

	Governmental Activities	
	FY 18	FY 17
Land	\$ 4,292,933	\$ 4,292,933
Construction in Progress	863,534	420,309
Buildings and Improvements	9,145,937	8,708,044
Software	28,845	28,845
Machinery, Furniture and Equipment	1,204,354	1,128,339
	15,535,603	14,578,470
Less Accumulated Depreciation and Amortization	(7,123,585)	(6,824,685)
Capital Assets, net	\$ 8,412,018	\$ 7,753,785

Major capital asset activities during the current fiscal year included completion of the stormwater improvement project at Tamarind, upgrade of building A with a metal roof, upgrade to greater capacity pool heaters, and construction of the new administration building.

Additional information on the District's capital assets can be found in Note 3.

Long-Term Debt

At the end of the current fiscal year, the District had total loans payable of \$95,564. The District's total outstanding long term debt decreased \$32,421 for scheduled debt service payments on the loan. Additional information on the District's long-term debt can be found in Note 3.

Economic Factors and Next Year's Budget and Rates

A successful budgeting effort to control operating expenditures and an improvement in overall revenues contributed a positive impact on the overall District financial position during the fiscal year ended September 30, 2018. For fiscal year 2019, the assessment rate was increased by \$22 per year to \$760 per lot.

Request for Information

The financial report is designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions concerning any of the information provided in this report or need additional financial information, contact the District's Community Manager or Finance Manager at 625 Barefoot Boulevard, Bldg. F, Barefoot Bay, Florida 32976; or call (772) 664-3141; or visit our website at: www.bbrd.org.

BASIC FINANCIAL STATEMENTS

BAREFOOT BAY RECREATION DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET

September 30, 2018

	General Fund	Adjustments (Note 2)	Statement of Net Position
ASSETS			
Cash and cash equivalents	\$ 2,116,816	\$ -	\$ 2,116,816
Receivables, net	91,378	-	91,378
Due from other governments	24,968	-	24,968
Inventories	49,187	-	49,187
Prepays	70,388	-	70,388
Other asset	7,792	-	7,792
Capital assets, nondepreciable	-	5,156,467	5,156,467
Capital assets, depreciable, net	-	3,255,551	3,255,551
TOTAL ASSETS	<u>\$ 2,360,529</u>	<u>8,412,018</u>	<u>10,772,547</u>
LIABILITIES			
Accounts payable	\$ 214,410	-	214,410
Accrued payroll and related liabilities	69,234	-	69,234
Retainage payable	59,517	-	59,517
Due to other governments	7,802	-	7,802
Unearned revenue	700	-	700
Escrow deposits	5,024	-	5,024
Noncurrent liabilities:			
Due within one year	-	62,029	62,029
Due in more than one year	-	150,905	150,905
TOTAL LIABILITIES	<u>356,687</u>	<u>212,934</u>	<u>569,621</u>
DEFERRED INFLOWS			
OPEB	-	817	817
Unavailable earned grants	24,968	(24,968)	-
TOTAL DEFERRED INFLOWS	<u>24,968</u>	<u>(24,151)</u>	<u>817</u>
FUND BALANCE / NET POSITION			
FUND BALANCE			
Nonspendable for inventories and prepaids	119,575	(119,575)	-
Unassigned	1,859,299	(1,859,299)	-
TOTAL FUND BALANCE	<u>1,978,874</u>	<u>(1,978,874)</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 2,360,529</u>		
NET POSITION			
Net investment in capital assets		8,121,277	8,121,277
Unrestricted		2,080,832	2,080,832
TOTAL NET POSITION		<u>\$ 10,202,109</u>	<u>\$ 10,202,109</u>

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

BAREFOOT BAY RECREATION DISTRICT

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

For the Year Ended September 30, 2018

	General Fund	Adjustments (Note 2)	Statement of Activities
REVENUES			
Assessments	\$ 3,606,475	\$ -	\$ 3,606,475
Charges for services	2,151,634	-	2,151,634
Operating grants and contributions	6,343	14,436	20,779
Capital grants and contributions	179,089	(118,557)	60,532
Investment income	25,164	-	25,164
Other miscellaneous	325,171	-	325,171
TOTAL REVENUES	<u>6,293,876</u>	<u>(104,121)</u>	<u>6,189,755</u>
EXPENDITURES / EXPENSES			
General government/recreation	5,115,216	(7,607)	5,107,609
Debt Service:			
Principal	32,421	(32,421)	-
Interest	2,363	-	2,363
Depreciation	-	409,881	409,881
Capital outlay	1,073,578	(1,073,578)	-
TOTAL EXPENDITURES / EXPENSES	<u>6,223,578</u>	<u>(703,725)</u>	<u>5,519,853</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	70,298	(70,298)	-
CHANGE IN NET POSITION	-	669,902	669,902
FUND BALANCE / NET POSITION			
BEGINNING OF THE YEAR, ORIGINAL	1,908,576	7,584,713	9,493,289
ADJUSTMENT TO BEGINNING NET POSITION	<u>-</u>	<u>38,918</u>	<u>38,918</u>
FUND BALANCE / NET POSITION			
BEGINNING OF THE YEAR, RESTATED	<u>1,908,576</u>	<u>7,623,631</u>	<u>9,532,207</u>
FUND BALANCE / NET POSITION			
END OF THE YEAR	<u>\$ 1,978,874</u>	<u>\$ 8,223,235</u>	<u>\$ 10,202,109</u>

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

BAREFOOT BAY RECREATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2018

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 position and the statement of activities) report information on all of the activities of the District. 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 fund.

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, golf membership fees, 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. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the General Fund as a major governmental 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.

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. For unrestricted resources, the District considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

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

Budgetary Information

An annual budget is prepared for the general fund of the District. The annual operating budget is 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 budget, as adopted, may only be amended through formal approval (resolution) by the Board of Trustees. Budget transfers that do not either increase or decrease the amount of a fund or department within the General Fund will be recommended by the Finance Manager and approved by the Community Manager without formal approval by the Board of Trustees. 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 Position or Fund Balance

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). Florida Statutes require the District to deposit public funds in qualified public depositories. Cash deposits as of September 30, 2018, are insured by federal depository insurance and the Public Depository Trust Fund.

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, 2018. These payments are recorded as expenditures when consumed rather than when purchased.

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 acquisition value at the time received. It is the policy of the District to capitalize property, improvements, equipment and software over \$2,000. 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).

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

Assets, Liabilities and Net Position or Fund Balance (*Continued*)

Unearned Revenue

Unearned revenue at September 30, 2018, consists primarily of unredeemed golf club gift certificates.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations, including compensated absences and other postemployment benefits are reported as liabilities in the applicable governmental activities.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that applicable time. At September 30, 2018, the District records deferred inflows of resources that consist primarily of grant revenues that were earned by meeting grant requirements but unavailable in accordance with the District's revenue recognition policy, and deferred inflows related to other postemployment benefits in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

Fund Balance

In accordance with Accounting Standards, the District classifies governmental fund balances as follows:

Nonspendable Fund Balance - represents fund balance that is (a) not in a spendable form, such as prepaid items and inventories, or (b) legally or contractually required to be maintained intact, such as an endowment. There was \$119,575 nonspendable fund balance at September 30, 2018.

Restricted Fund Balance - consists of amounts that can be spent only on the specific purposes stipulated by law or by the external providers of those resources. There was no restricted fund balance at September 30, 2018.

Committed Fund Balance - self-imposed limitations set in place prior to the end of the fiscal period. These amounts can be used only for the specific purposes determined by a formal action of the Board of Trustees, which is the highest level of decision-making authority, and that require the same level of formal action to remove the constraint. The Board of Trustees can establish, modify or rescind committed fund balance through the formal approval of a resolution. There was no committed fund balance at September 30, 2018.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Fund Balance (Continued)

Fund Balance (Continued)

Assigned Fund Balance - amounts that are subject to a purpose constraint that represents an intended use established by the Board of Trustees or by its designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. Formal action is *not* necessary to impose, remove, or modify a constraint in Assigned Fund Balance. Additionally, this category could be used to reflect the appropriation of a portion of existing fund balance to eliminate a projected deficit in the subsequent year's budget. The Board has not formally appointed anyone with the authority to assign fund balance. There was no assigned fund balance at September 30, 2018.

Unassigned Fund Balance - represents the residual classification or fund balance and includes all spendable amounts not contained within the other classifications of the General Fund. There was \$1,859,299 unassigned fund balance at September 30, 2018.

Minimum Fund Balance Policy - On June 28, 2016, the Board of Trustees approved Resolution 2016-11 that established the District's minimum unassigned fund balance policy for the General Fund. The District shall establish a minimum unassigned fund balance equivalent to twenty percent (20%) of the subsequent fiscal year's budgeted expenditures less amounts needed for repairs and maintenance, capital outlays, and transfers out.

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 position. This resulted in a net difference between ending governmental fund balances and total net position of \$8,223,235. Interfund payables and receivables were also eliminated.

Ending governmental fund balances	\$ 1,978,874
Capital assets, net	8,412,018
Unavailable earned revenue	24,968
Deferred inflow – OPEB	(817)
Long-term liabilities	<u>(212,934)</u>
Total net position	<u>\$10,202,109</u>

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

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 over (under) expenditures” and “change in net position” of \$599,604.

Excess (deficiency) of revenues over (under) expenditures	\$ 70,298
Less: Depreciation expense	(409,881)
Change in other long-term liabilities	17,401
Unavailable earned grants	(104,121)
Loss on disposal of assets held for sale	(4,330)
Loss on disposal of capital assets	(5,464)
Add: Capital outlay expenditures	1,073,578
Long-term debt principal expenditures	32,421
	<hr/>
Change in net position	\$ 669,902
	<hr/>

NOTE 3 - DETAILED NOTES ON ALL FUNDS

Deposits and Investments

At September 30, 2018, the carrying value of demand deposits, amounted to \$1,548,933, and the bank balance was \$2,198,716. 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.

Funds invested with the SBA Florida PRIME are fully secured by Government Securities, as required by Florida Statutes, Chapter 215.47. The Florida PRIME pool shares are reported at amortized cost and meet the requirements of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, which establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost.

There are no limitations or restrictions on withdrawals from the Florida PRIME; although in the occurrence of an event that has a material impact on liquidity or operations of the trust fund, the fund’s executive director may limit contributions to or withdrawals from the trust fund for a period of 48 hours. The Office of the Auditor General of the State of Florida performs the operational audit of the activities and investments of the Florida PRIME.

The District’s balance in the Florida PRIME at September 30, 2018 was \$567,883. The Florida PRIME had a dollar weighted average days to maturity (“WAM”) of 33 days as of September 30, 2018. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM.

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

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

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. The Florida PRIME's rating at September 30, 2018, was AAAM with Standard & Poor's.

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.

Accounts Receivable

Receivables as of year-end for the District's General Fund amounted to \$338,197, less an allowance for uncollectible accounts of \$(246,819). This primarily includes amounts for prior billed assessments and current DOR enforcement fees.

Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$4,292,933	\$ -	\$ -	\$4,292,933
Construction in progress	420,309	849,009	(405,784)	863,534
Total capital assets not being depreciated	4,713,242	849,009	(405,784)	5,156,467
Capital assets being depreciated and amortized:				
Buildings and improvements	8,708,044	451,552	(13,659)	9,145,937
Software	28,845	-	-	28,845
Machinery, furniture and equipment	1,128,339	178,801	(102,786)	1,204,354
Total capital assets being depreciated	9,865,228	630,353	(116,445)	10,379,136
Less accumulated depreciation and amortization for:				
Buildings and improvements	6,006,184	311,294	(8,195)	6,309,283
Software	28,845	-	-	28,845
Machinery, furniture and equipment	789,656	98,587	(102,786)	785,457
Total accumulated depreciation and amortization	6,824,685	409,881	(110,981)	7,123,585
Governmental activities capital assets, net	<u>\$7,753,785</u>	<u>\$ 1,069,481</u>	<u>\$ (411,248)</u>	<u>\$8,412,018</u>

Depreciation and amortization expense for governmental activities was allocated to the General Government/Recreation function of the District.

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)**Long-Term Liabilities*****Changes in Long-Term Liabilities***

Changes in long-term liabilities for the year ended September 30, 2018, consists of the following:

<u>Description</u>	<u>2017</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>2018</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>	<u>Long-Term</u> <u>Portion</u>
<u>Governmental Activities</u>						
Loan Payable	\$127,985	\$ -	\$(32,421)	\$95,564	\$33,104	\$62,460
Other Postemployment Benefits	18,693	2,379	(117)	20,955	-	20,955
Compensated Absences	117,012	59,467	(80,064)	96,415	28,925	67,490
	<u>\$263,690</u>	<u>\$61,846</u>	<u>\$(112,602)</u>	<u>\$212,934</u>	<u>\$62,029</u>	<u>\$150,905</u>

Other Postemployment Benefits beginning balance restated for GASB 75.

Outstanding long-term debt consists of the following at September 30, 2018:

Governmental Activities:

Capital Bank Loan due monthly to 2021, in annual amounts ranging from \$28,660 to \$33,800; with fixed interest rate at 2.06%.

\$95,564

The Capital Bank loan was acquired in 2016 to fund stormwater improvement projects and the purchase of equipment needed for that project. The loan has no pledge of specific revenues or assessments and has a maturity date of July 26, 2021.

Debt Service Requirements on Outstanding Debt

The annual requirements to pay principal and interest (estimated) on the outstanding loan at September 30, 2018 to maturity, are as follows:

<u>Year</u> <u>Ending</u>	<u>Capital Bank Loan</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$33,104	\$1,679
2020	33,800	984
2021	28,660	274
	<u>\$95,564</u>	<u>\$2,937</u>

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)**Property Held for Lease**

The District is the lessor of commercial real estate under operating leases expiring in various years through September 2021. Leasing activities and related assets and liabilities are accounted for in the General Fund. Leased property as of September 30, 2018 is summarized as follows:

Land	\$ 217,123
Buildings and improvements	910,629
	<u>1,127,752</u>
Less accumulated depreciation	<u>(600,328)</u>
	<u>\$ 527,424</u>

Minimum future rentals to be received on noncancelable leases as of September 30, 2018 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2019	\$ 73,037
2020	56,801
2021	<u>38,307</u>
Total	<u>\$ 168,145</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 rent and such additional charges were \$90,051 for fiscal year 2018.

Other Postemployment Benefits***Plan Description***

The District has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB No. 75)*, for certain postemployment healthcare and life insurance benefits provided by the District.

The Other Postemployment Benefit Plan (“OPEB Plan”) is a single-employer defined benefit plan administered by the District. Retirees and eligible dependents may continue to participate in the District’s medical insurance plan. The District subsidizes the premium rates paid by retirees by allowing them to participate in the plan at blended group premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan than active employees.

Retirees and their dependents are permitted to remain covered under the District’s respective medical and prescription 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. 112.0801, F.S. The OPEB Plan does not issue a stand-alone report. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB No. 75.

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

At September 30, 2018, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	-
Active employees	20
Total	<hr/> 20

Plan Benefit Terms and Contributions (Benefit Payment Reductions)

All employees of the District are eligible for benefits under the OPEB Plan and are fully vested after five years of service. Eligible retirees and their dependents may choose the same medical plan options available to active employees. All medical coverage is primary to Medicare for retirees and dependents eligible for Medicare. Benefit terms for the District are established and may be amended through action by the District Board.

Contributions (benefit payment reductions) to the OPEB Plan are required from retirees to maintain coverage for themselves and eligible dependents. Contribution requirements of the District are established and may be amended through action of the District Board.

Total OPEB Liability and Changes in Total OPEB Liability

The measurement date for the District's total and net OPEB liability was September 30, 2017, one year prior to the District's financial reporting date of September 30, 2018. The measurement period for OPEB cost was October 1, 2016 to September 30, 2017. The components of the District's net OPEB liability reported at September 30, 2018 are as follows:

Total OPEB Liability	\$20,955
OPEB Plan Fiduciary Net Position	-
District's Net OPEB Liability	\$20,955
OPEB Plan Fiduciary Net Position as % of Total Net Position	0.0%

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)**Other Postemployment Benefits (Continued)****Total OPEB Liability and Changes in Total OPEB Liability (Continued)**

The components of the changes in the total OPEB liability are as follows:

	Fiscal Year 2018
Total OPEB Liability	
Service Cost	\$ 2,619
Interest	659
Difference between expected and actual experience	-
Change of Assumptions and Other Inputs	(899)
Benefit payments	(117)
Other Changes	-
Net change in total OPEB liability	2,262
Total OPEB liability, beginning	18,693
Total OPEB liability, ending	<u>\$ 20,955</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.1% to 3.5% as of September 30, 2017.

Actuarial Assumptions and OPEB Liability Sensitivity to Healthcare Trend Rate

The total OPEB liability reported at September 30, 2018 was based on an actuarial valuation dated September 30, 2017, using the following actuarial assumptions:

Inflation	2.50%
Discount rate	3.50%
Salary increases	3.7%-7.8%, based on rates used in July 1, 2016 actuarial valuation of Florida Retirement System
Mortality rates	Based on rates used in July 1, 2016 actuarial valuation of Florida Retirement System (statewide experience study from 2008 – 2013)
Healthcare trend	Based on Getzen Model - trend of 15% for 2018, 6.75% for 2019, then gradual decrease to ultimate rate of 4.24% (plus 1.05% increase to reflect excise tax)

The development of initial per capita costs included aging factors based on the 2013 Society of Actuaries Study “Health Care Costs – From Birth to Death.” Administrative expenses are included in the per capita health costs.

The following table presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a healthcare trend rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 17,524	\$ 20,955	\$ 25,227

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)**Other Postemployment Benefits (Continued)*****Discount Rate and OPEB Liability Sensitivity to Discount Rate***

The discount rate used to measure the total OPEB liability reported at September 30, 2018 was 3.50%. Because the District's OPEB costs are essentially funded on a pay-as-you-go funding structure, a municipal bond rate was used to determine the total OPEB liability for the OPEB Plan. The Fidelity 20-year Municipal GO AA Index was adopted for this purpose.

The following table presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	2.50%	3.50%	4.50%
Total OPEB liability	\$ 23,260	\$ 20,955	\$ 18,788

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to OPEB

For the fiscal year ended September 30, 2018, the District recognized OPEB expense of \$3,196. At September 30, 2018, the District has deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ -	\$ 817
	<u>\$ -</u>	<u>\$ 817</u>

Deferred inflows of resources shown above will be recognized in OPEB expense in the following years:

<u>Fiscal Year Ending:</u>	<u>Inflows</u>
September 30, 2019	\$ 82
September 30, 2020	82
September 30, 2021	82
September 30, 2022	82
September 30, 2023	82
Thereafter	407
	<u>\$ 817</u>

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)**Employee Defined Contribution Plan**

The District allows full-time employees to participate in a 401(a) qualified retirement plan administered by ICMA Retirement Corporation. Contributions to the plan are made on a pre-tax basis. Benefit terms, including contribution requirements, are established and amended by the Board. For each participating employee, the District contributes 3% of annual compensation, and employees contribute 3% of annual compensation. For the year ended September 30, 2018, the District recognized pension expense of \$12,648 and applied forfeitures of \$2,309. Employee contributions to the 401(a) plan were \$14,643 for the year ended September 30, 2018.

Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Section 457, Internal Revenue Code. The deferred compensation plan, which is available to all full-time employees through ICMA, permits employees to defer a portion of their salary until future years. Employee contributions to the deferred compensation plan for the fiscal year ended September 30, 2018 were \$17,999.

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 purchases coverage for general liability, auto liability, and property insurance from the Florida Municipal Insurance Trust. 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. Net premiums paid by the District during the year ended September 30, 2018 totaled \$122,817. The District also pays premiums for workers' compensation insurance to the Florida Municipal Insurance Trust. Net premiums paid for this coverage totaled \$45,220 for the year ended September 30, 2018.

Grants

Amounts received or receivable from grantor 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)**Operating Lease**

In January 2017, the District entered into an operating lease for golf carts. Monthly rental payments are \$2,013, including 4.2% interest, and will expire in December 2020.

The District spent \$24,156 in lease expense for the fiscal year. Future minimum lease payments are as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2019	\$24,156
2020	24,156
2021	6,039
	<u>\$54,351</u>

Construction Commitments

At September 30, 2018, the District had a remaining construction commitment of \$320,219 to Reynolds Construction for the new administration building.

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.

Restatement of Net Position

In 2018, the District implemented GASB No. 75, resulting in a restatement of beginning net position for governmental activities. The adjustment to beginning net position was offset equally by a decrease in net OPEB liability. The components of this restatement are as follows.

	<u>Governmental Activities</u>
<u>Elements of Adjustment:</u>	
District OPEB Liability	\$ 38,801
Deferred Outflows - Transactions	
Subsequent to Measurement Date	117
Adjustment to Beginning Net Position	<u>\$ 38,918</u>
<u>Elements of Restatement:</u>	
Net Position, September 30, 2017 as previously reported	\$ 9,493,289
Cumulative effect of application of GASB Statement No. 75	38,918
Net Position, September 30, 2018 as restated	<u>\$ 9,532,207</u>

REQUIRED SUPPLEMENTARY INFORMATION

BAREFOOT BAY RECREATION DISTRICT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Assessments	\$ 3,611,577	\$ 3,611,577	\$ 3,606,475	\$ (5,102)
Charges for services	2,095,409	2,095,409	2,151,634	56,225
Operating grants and contributions	-	-	6,343	6,343
Capital grants and contributions	50,000	50,000	179,089	129,089
Investment income	6,500	6,500	25,164	18,664
Other miscellaneous	292,913	292,913	325,171	32,258
TOTAL REVENUES	6,056,399	6,056,399	6,293,876	237,477
EXPENDITURES / EXPENSES				
General government/recreation	5,047,811	4,913,193	5,115,216	(202,023)
Debt Service:				
Principal	31,603	31,603	32,421	(818)
Interest	3,181	3,181	2,363	818
Capital outlay	1,062,100	2,287,346	1,073,578	1,213,768
TOTAL EXPENDITURES / EXPENSES	6,144,695	7,235,323	6,223,578	1,011,745
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(88,296)	(1,178,924)	70,298	1,249,222
OTHER FINANCING SOURCES AND (USES)				
Fund Balance appropriated	88,296	35,256	-	(35,256)
TOTAL OTHER FINANCING SOURCES AND (USES)	88,296	35,256	-	(35,256)
EXCESS OF REVENUES OVER EXPENDITURES	-	(1,143,668)	70,298	1,213,966
FUND BALANCE - BEGINNING OF THE YEAR	-	1,143,668	1,908,576	764,908
FUND BALANCE - END OF THE YEAR	\$ -	\$ -	\$ 1,978,874	\$ 1,978,874

BAREFOOT BAY RECREATION DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS

Last 10 Measurement Years *

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 2,619
Interest	659
Difference between expected and actual experience	-
Change of assumptions and other inputs	(899)
Benefit payments	<u>(117)</u>
Net change in total OPEB liability	2,262
Total OPEB liability - beginning	<u>18,693</u>
 Total OPEB liability - ending	 <u><u>\$ 20,955</u></u>
 Covered employee payroll	 \$ 665,651
 Total OPEB liability as a percentage of covered employee payroll	 3.15%

* Fiscal year 2018 presents information on the Plan's measurement year ended September 30, 2017.

Notes to Schedule:

Note 1: Total OPEB Liability at the beginning of the initial period of implementation was developed by rolling back the liability from the measurement date, as permitted by *Q&A 4.499* of the *Implementation Guide No. 2017-3*. Consequently, there was no difference between expected and actual experience.

Note 2: GASB 75 requires information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for only those years for which information is available.

Note 3: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

COMPLIANCE SECTION



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Barefoot Bay Recreation District
Barefoot Bay, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statements of governmental activities, and each major fund of Barefoot Bay Recreation District, Florida (the "District") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 1, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control described in the accompanying schedule of findings that we consider to be a significant deficiency.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Moore Stephens Lovelace, P.A.".

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
March 1, 2019

BAREFOOT BAY RECREATIONAL DISTRICT
SCHEDULE OF FINDINGS
Fiscal Year Ended September 30, 2018

Type: Significant Deficiency

2018-001 Accounts Payable

Finding:

During our audit, we noted that four invoices should have been expensed in fiscal year 2018, as either the services occurred or goods were received prior to fiscal year-end; however, the District recorded the transactions in fiscal year 2019.

Criteria:

To ensure that expenditures are being captured in the proper period, the District should review all subsequent transactions for potential accruals at year-end.

Cause:

The District's year-end procedures related to accounts payable were not adequately followed.

Effect:

This resulted in a significant audit adjustment to the District's General Fund.

Recommendation:

We recommend that the District ensure that all year-end closing procedures related to accruals are properly performed and that the District reviews all year-end account balances to ensure timely and accurate closing of the District's trial balance.

Management Response:

The District has conducted additional training and modified its procedures and future training schedule to ensure that year-end closing procedures related to accruals are properly performed and that the District reviews all year-end account balances to ensure timely and accurate closing of the District's trial balance.



INDEPENDENT ACCOUNTANT'S REPORT

Board of Trustees
Barefoot Bay Recreation District
Barefoot Bay, Florida

We have examined Barefoot Bay Recreation District, Florida's (the "District") compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2018. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied with those requirements. An examination involves performing procedures to obtain evidence about the District's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2018.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.

Certified Public Accountants

Orlando, Florida
March 1, 2019



INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Board of Trustees
Barefoot Bay Recreation District
Barefoot Bay, Florida

Report on the Financial Statements

We have audited the financial statements of Barefoot Bay Recreation District, Florida (the "District") as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated March 1, 2019.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in 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 Chapter 10.550, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports which are dated March 1, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. There were no recommendations made in the preceding annual financial report.

Official Title and Legal Authority

Section 10.554(1)(i)4., *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.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether or not the District 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.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), *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.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our financial condition assessment procedures, we had the following observation:

MLO-2018-001 Bank Reconciliation Process

Observation:

During our current-year audit of the District's financial statements, it was noted that one of the bank reconciliations did not foot correctly resulting in a variance with the general ledger.

Criteria:

Preparing and reviewing bank reconciliations are essential in ensuring accurate financial operations and strong internal controls.

Cause:

The bank reconciliation was not reviewed to prevent a variance with the general ledger from occurring.

Effect:

Not reconciling bank accounts or reviewing reconciliations on a consistent basis means that errors or other problems might not be recognized and resolved in a timely manner.

Recommendation:

We recommend that the District review its bank reconciliation procedures to ensure that unreconciled variances and unusual reconciling items are identified for correction.

Management Response:

The District has modified its procedures to ensure that unreconciled variances and unusual reconciling items are identified for correction.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Auditor General, federal and other granting agencies, the Board of Trustees, and applicable management, 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
March 1, 2019