

**PORT MALABAR HOLIDAY PARK
MOBILE HOME
PARK RECREATION DISTRICT**

Basic Financial Statements and Supplementary Information

For the year ended September 30, 2018

**PORT MALABAR HOLIDAY PARK
MOBILE HOME PARK RECREATION DISTRICT**

BOARD OF TRUSTEES

Year ended September 30, 2018

Chairperson:	Keith Rittscher
First Vice Chairperson:	Bob Shortlidge
Second Vice Chairperson:	Ellouise Raffo
Secretary:	Joanne Gaughan
Assistant Secretary:	Open
Treasurer:	Kendra Bender
Assistant Treasurer:	Barbara Whitneck
Trustee:	Helen Ferguson
Trustee:	Jack Emerich

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-8
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net position	12
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	14
Notes to Financial Statements	15-26
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – General Fund	28
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – Debt Service Fund	29
Note to Required Supplementary Information	30

TABLE OF CONTENTS (continued)

Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit of Financial Statements Performed in Accordance With <i>Governmental Auditing Standards</i>	32-33
Management Letter	34-36
Management Letter Comments and Recommendations	37
Management's Response Letter	38
Independent Accountant's Report on Investment Compliance	39

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Port Malabar Holiday Park
Mobile Home Park Recreation District
Palm Bay, Florida

Report of the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Port Malabar Holiday Park Mobile Home Park Recreation District (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 above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund information of the District, as of September 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures – Budget and Actual – General Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements and has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 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.

McDonough CPA Solutions, PA

March 5, 2019
Melbourne, Florida

Management's Discussion and Analysis

As management of Port Malabar Holiday Park Mobile Home Park Recreation District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2018 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the District's financial activities, (c) identify changes in the District's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis ("MD&A") is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the basic financial statements and notes as listed on the table of contents.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$3,686,968.
- As of the close of the current fiscal year, the District reported an ending General Fund balance of \$1,177,339.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,166,255.

Comparative financial information as reflected in the following tables:

	Governmental Activities		
	2018	2017	Variance
ASSETS			
Cash and cash equivalents	\$ 1,182,377	\$ 1,061,049	\$ 121,328
Capital assets - net	2,995,493	3,103,997	(108,504)
Other assets	11,084	12,771	(1,687)
Total assets	4,188,954	4,177,817	11,137
LIABILITIES			
Current liabilities	16,122	11,998	4,124
Noncurrent liabilities	485,863	720,041	(234,178)
Total liabilities	501,985	732,039	(230,054)
NET POSITION			
Net investment in capital assets	2,509,630	2,383,956	125,674
Unrestricted	1,177,339	1,061,825	115,514
Total net position	\$ 3,686,969	\$ 3,445,781	\$ 241,188

Cash and cash equivalents increased in the current year due to the timing of cash flows and outflows. Capital assets, net of depreciation, decreased in the current year due to the provision for depreciation. Noncurrent liabilities decreased due to principal payments on debt.

	CHANGES IN NET POSITION		
	Governmental Activities		
	<u>2018</u>	<u>2017</u>	<u>Variance</u>
Revenues			
Program revenues			
Charges for services	\$ 6,491	\$ 7,666	\$ (1,175)
General revenues			
Non-ad valorem special assessments	1,410,747	1,417,498	(6,751)
Interest income	10,418	4,907	5,511
Other revenues	997	14,175	(13,178)
	<u>1,428,653</u>	<u>1,444,246</u>	<u>(15,593)</u>
Expenses			
General government	487,412	494,465	(7,053)
Public safety	122,153	109,802	12,351
Physical environment	119,765	122,874	(3,109)
Transportation	116,065	121,184	(5,119)
Recreation-grounds	329,946	290,045	39,901
Interest	12,125	17,246	(5,121)
	<u>1,187,466</u>	<u>1,155,616</u>	<u>31,850</u>
Change in net position	241,187	288,630	(47,443)
Net position - beginning	3,445,781	3,157,151	288,630
Net position - ending	<u>\$ 3,686,968</u>	<u>\$ 3,445,781</u>	<u>\$ 241,187</u>

Charges for services varies annually based on residents' needs. Non-ad valorem special assessments decreased due to less residents paying assessments when due. Public safety and recreation-grounds expenditures increased due to increase in personnel and upgrades.

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The District's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial 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 presents information on all of the District's assets, deferred outflows, liabilities, deferred inflows, and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected funding and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by the non-ad valorem special assessments received from the taxpayers. The governmental activities of the District include: general government, public safety, physical environment, transportation and recreation activities.

The government-wide financial statements can be found as listed on the table of contents.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented in the governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governments near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two individual governmental funds – the General Fund and the Debt Service Fund.

The District adopts an annual appropriated budget. A budgetary comparison statement has been provided to demonstrate compliance.

The basic governmental fund financial statements can be found as listed on the table of contents.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found listed on the table of contents.

Government-Wide 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 by \$3,686,968 at the close of the most recent fiscal year.

Financial Analysis of the Government's Funds

Governmental activities. Governmental activities increased the District's net position by \$241,187, thereby accounting for the total increase in the net position of the District as of September 30, 2018.

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 funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financial requirements. In particular, the 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.

As of the end of the current fiscal year, the District's General Fund reported an ending fund balance of \$1,177,339. The unassigned funds are amounts available for spending at the District's discretion. The General Fund balance of the District increased by \$115,514 during the current fiscal year.

General Fund Budgetary Highlights

For the year ended September 30, 2018, actual expenditures were less than budgeted by \$114,830. The schedule of revenues, expenditures and changes in fund balances – budget to actual can be found as listed on the table of contents.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of September 30, 2018 amounted to \$2,995,493, or 72% percent of total assets. This investment in capital assets includes all capital assets, (land, buildings and improvements, furniture and fixtures, machinery and equipment, computer software, and infrastructure) net of accumulated depreciation.

Debt. As of September 30, 2018, there was an outstanding balance of \$485,863. During the year, principal payments were made on all three of the notes. The District does not plan on increasing debt in the near future for upcoming capital projects.

Economic Factors. A majority of the District's revenues are from tax assessments. The District is expecting assessments to remain approximately stable for the 2018-19 fiscal year.

Request for Information

This financial report is designed to provide a general overview of Port Malabar Holiday Park Mobile Home Park Recreation District's finances for those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the office of District Manager at Port Malabar Mobile Home Park Recreation District, 215 Holiday Park Blvd. NE, Palm Bay, FL 32907.

Port Malabar Holiday Park Mobile Home Park Recreation District
STATEMENT OF NET POSITION
September 30, 2018

ASSETS	
Cash and cash equivalents	\$ 1,182,377
Prepaid expenses	11,084
Capital assets not being depreciated:	
Land	223,836
Capital assets, net of accumulated depreciation:	
Buildings and improvements	470,139
Furniture and fixtures	8,072
Machinery and equipment	49,070
Infrastructure	<u>2,244,376</u>
Total assets	<u>4,188,954</u>
LIABILITIES	
Accounts payable	6,202
Accrued expenses	8,935
Customer deposits	985
Noncurrent liabilities	
Due within one year	216,372
Due in more than one year	<u>269,491</u>
Total liabilities	<u>501,985</u>
NET POSITION	
Net investment in capital assets	2,509,630
Unrestricted	<u>1,177,339</u>
Total net position	<u>\$ 3,686,968</u>

Port Malabar Holiday Park Mobile Home Park Recreation District
STATEMENT OF ACTIVITIES
For the year ended September 30, 2018

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:					
General government	\$ 487,412	\$ 6,491	\$ -	\$ -	\$ (480,921)
Public safety	122,153	-	-	-	(122,153)
Physical environment	119,765	-	-	-	(119,765)
Transportation	116,065	-	-	-	(116,065)
Recreation-grounds	329,946	-	-	-	(329,946)
Interest	12,125	-	-	-	(12,125)
Total governmental activities	<u>\$ 1,187,466</u>	<u>\$ 6,491</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,180,975)</u>
General revenues:					
Non-ad valorem special assessments					1,410,747
Interest income					10,418
Other income					997
Total general revenues					<u>1,422,162</u>
Change in net position					241,187
Net position at October 1, 2017					<u>3,445,781</u>
Net position at September 30, 2018					<u>\$ 3,686,968</u>

Port Malabar Holiday Park Mobile Home Park Recreation District
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2018

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,182,377	\$ -	\$ 1,182,377
Prepaid expenses	11,084	-	11,084
Total assets	<u>\$ 1,193,461</u>	<u>\$ -</u>	<u>\$ 1,193,461</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 6,202	\$ -	\$ 6,202
Accrued expenses	8,935	-	8,935
Customer deposits	985	-	985
Total liabilities	<u>16,122</u>	<u>-</u>	<u>16,122</u>
FUND BALANCES			
Nonspendable			
Prepaid expenses	11,084	-	11,084
Unassigned	1,166,255	-	1,166,255
Total fund balances	<u>1,177,339</u>	<u>-</u>	<u>1,177,339</u>
Total liabilities and fund balances	<u>\$ 1,193,461</u>	<u>\$ -</u>	<u>\$ 1,193,461</u>

Port Malabar Holiday Park Mobile Home Park Recreation District
RECONCILIATION OF THE BALANCE – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2018

Fund balance - total governmental funds	\$	1,177,339
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:</p>		
Capital assets	\$	5,134,427
Accumulated depreciation		(2,138,934)
		2,995,493
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>		
Note payable	\$	(485,863)
Total net position of governmental activities	\$	3,686,968

Port Malabar Holiday Park Mobile Home Park Recreation District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
For the year ended September 30, 2018

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Assessments	\$ 1,164,444	246,303	\$ 1,410,747
Charges for services	6,491	-	6,491
Interest	10,418	-	10,418
Other income	1,047	-	1,047
Total revenues	<u>1,182,400</u>	<u>246,303</u>	<u>1,428,703</u>
Expenditures			
Current:			
General government	469,054	-	469,054
Public safety	115,811	-	115,811
Physical environment	119,815	-	119,815
Transportation	7,740	-	7,740
Recreation-grounds	269,440	-	269,440
Debt service			
Principal	-	234,178	234,178
Interest	-	12,125	12,125
Capital outlay	85,026	-	85,026
Total expenditures	<u>1,066,886</u>	<u>246,303</u>	<u>1,313,189</u>
Excess (deficiency) of revenues over (under) expenditures	115,514	-	115,514
Fund balances at October 1, 2017	<u>1,061,825</u>	-	<u>1,061,825</u>
Fund balances at September 30, 2018	<u>\$ 1,177,339</u>	<u>\$ -</u>	<u>\$ 1,177,339</u>

Port Malabar Holiday Park Mobile Home Park Recreation District
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the year ended September 30, 2018

Net change in fund balances - total governmental funds \$ 115,514

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This and the net effect of various other transactions involving capital assets increased net position.

Capital outlay	\$ 85,026	
Provision for depreciation	<u>(193,530)</u>	(108,504)

Governmental funds report the proceeds from the loss of capital assets as revenue whereas the statement of activities reports the gain on the sale of capital assets. This is the effect on the change in net position on the statement of activities. -

The repayment of the principal of long-term debt consumes the current financial resources of the School without affecting the net position. The statement of activities does not reflect the payment of principal on long-term debt. The principal paid on long-term debt during the current year was:

Note payable	<u>234,178</u>
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Change in net position of governmental activities	<u><u>\$ 241,187</u></u>
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Port Malabar Holiday Park Mobile Home Park Recreation District
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements present the respective changes in financial position of the applicable fund types governed by the Board of Trustees of the Port Malabar Holiday Park Mobile Home Park Recreation District (the “District”) and have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

1. Reporting entity

The District is a special independent taxing district authorized by the 1983 Florida Legislature and created by Ordinance Number 83-52 of the City of Palm Bay, Florida under the authority granted by Section 418.30, Florida Statutes. The District is governed by an elected nine-member Board of Trustees. The District provides the following services: community access, grounds maintenance, roads and drainage, sidewalk upkeep, recreational facilities, and general administrative services.

These financial statements present the primary government. No potential component units exist for consideration in defining the government’s reporting entity in accordance with GASB Statement No. 61, as amended by *The Financial Reporting Entity*.

2. Government-wide and fund financial statements

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements report information on all of the nonfiduciary activities of the primary government as a whole. As part of the consolidation process, all interfund activities are eliminated from these statements.

Net position, the total of assets, deferred outflows, liabilities, and deferred inflows, as presented in the statement of net position, are subdivided into three categories: net investment in capital assets, restricted net position, and unrestricted net position. Net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, laws and regulations of other governments, or by law through constitutional provisions or enabling legislation.

Port Malabar Holiday Park Mobile Home Park Recreation District
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-wide and fund financial statements (continued)

The statement of activities presents a comparison between the direct and indirect expenses of a given function or segment and its program revenues, and displays the extent to which each function or segment contributes to the change in net position for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function or segment. Indirect expenses are costs the District has allocated to functions through various allocation methods. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions.

Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Revenues not classified as program revenues are reported as general revenues.

Separate fund financial statements report detailed information about the District's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements and non-major funds are aggregated and presented as a single column on each statement. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

3. 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. Non-ad valorem special assessments are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Port Malabar Holiday Park Mobile Home Park Recreation District
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement focus, basis of accounting, and financial statement presentation (continued)

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. One exception to this general rule includes principal and interest on general long-term debt, which is recognized when due.

When restricted resources meet the criteria to be available for use and unrestricted resources are also available for use. It is the District's policy to use restricted resources first, and then unrestricted resources, as needed.

District reports the following major governmental funds:

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

Debt Service Fund – The Debt Service Fund is where the District accounts for all of the financial resources that are legally restricted for the payment of long-term debt principal and interest amounts maturing in future years.

4. Long-term obligations

In the government-wide financial statements and in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Debt premiums and discounts are deferred and amortized over the life of the debts. Debts payable are reported net of applicable debt premium or discount.

In the fund financial statements, governmental funds recognize debt premiums and discounts as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Port Malabar Holiday Park Mobile Home Park Recreation District
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Capital assets

Capital assets, which include buildings and improvements, furniture and fixtures, machinery and equipment and infrastructure assets, are reported in the government-wide financial statements. Pursuant to GASB Statement No. 34, all infrastructure assets acquired prior to October 1, 2003 are not reported in the basic financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life of more than one year or greater.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The cost of property sold or retired, together with the related accumulated depreciation, is removed from the appropriate accounts, and any resulting gain or loss is included in net income.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Asset Class	Estimated Useful Lives
Buildings and improvements	5 - 40 years
Furniture and fixtures	5 - 20 years
Machinery and equipment	5 - 10 years
Computer software	5 years
Infrastructure	10 - 30 years

6. Cash, cash equivalents, and investments

Cash and cash equivalents includes amounts in demand deposits and investment pools as well as short-term investments with a maturity date within three months of the date acquired by the District. Investments are stated at market value, and income from investments are recorded in the respective funds when earned.

Port Malabar Holiday Park Mobile Home Park Recreation District
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Interfund receivables and payables

Activity between the various funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either due to or due from other funds.

8. Income tax

The District qualifies as a tax-exempt entity and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

9. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

10. Fund balance classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Fund Balance – The difference between assets and all current operational commitments and liabilities reported in a governmental fund

Non-spendable Fund Balance – Amounts that are (a) not spendable form or (b) legally or contractually required to be maintained intact. “Not in spendable form” included items that are not expected to be converted to cash (inventory and prepaid expenditures) and items such as long-term amount of loans, property acquired for resale, as well as unrealized gains.

Restricted Fund Balance – Amounts that have externally enforceable limitations on use of resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Port Malabar Holiday Park Mobile Home Park Recreation District
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE A - OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Fund balance classification (continued)

Committed Fund Balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Trustees, the District’s highest level of decision making authority. Commitments may only be removed or changed by the Board of Trustees taking the same formal action (resolution) that imposed the constraint originally.

Assigned fund balance – Amounts that are constrained by the government’s intent to be used for specific purposes that are neither considered restricted or committed.

Unassigned fund balance – The residual classification for the General Fund resources. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

Restricted amounts shall be spent first unless there are legal documents or contracts prohibiting this, such as grant agreements. Further, the order of priority shall be Committed Fund Balance, followed by Assigned Fund Balance, and then Unassigned Fund Balance when expenditures are incurred for purposes for which amounts in any of classifications could be used.

Additionally, the District has designated a minimum level of unassigned fund balance:

Unassigned Fund Balance is the residual classification for the various funds and represents a fund balance that has not been restricted, committed or assigned to specific purposes. All Excess Funds shall be transferred to Unassigned Fund Balance until that account equals a minimum of 50% of the General Fund Operating Budget. In the event of a District emergency, the minimum Unassigned Fund Balance may be overridden by the Board of Trustees. The District Manager or the Treasurer shall notify the Board of Trustees of any use of Unassigned Fund Balance for a recurring purpose as a precaution to avoid imprudent financial activity. As of September 30, 2018, the District met the minimum level of unassigned fund balance per their policy.

Port Malabar Holiday Park Mobile Home Park Recreation District
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE A - OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Fund balance classification (continued)

Therefore, any remaining excess funds may be identified by the District Manager as available to fund capital purchase, capital construction, non-recurring expenditures, or to establish an Assignment of Fund Balance. The District Manager has not assigned any of the excess funds in the current year.

NOTE B – CASH, CASH EQUIVALENTS AND INVESTMENTS

The District’s deposits and investments are insured by the Federal Depository Insurance Corporation (“FDIC”) for up to \$250,000. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the District pursuant to Section 280.08, Florida Statutes. Financial institutions must meet the criteria of being a Qualified Public Depository as described in the Florida Security for Public Deposits Act, under Chapter 280, Florida Statutes, before any investments are made with those institutions.

The deposits with the State Board of Administration (the “SBA”) are composed of local government surplus funds deposited therein by units of local government and are insured by the multiple financial institution collateral pool established by Florida Statutes. Section 218.407, Florida Statutes governs the investing of public funds with the SBA.

The Florida PRIME is operated as a “2a7-like” money market fund. As of September 30, 2018, the District had \$82,780 in the Florida PRIME.

The following deposit and investment accounts were included in the various funds at September 30, 2018:

Deposits and insured investments	Duration	Fair Value
Deposits	N/A	\$1,098,009
Deposits with the State Board of Administration:		
Florida Prime	35 days	84,368
		\$1,182,377

Port Malabar Holiday Park Mobile Home Park Recreation District
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE B – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Investment Policy, Interest Rate Risk & Credit Risk – The District’s adopted investment guidelines require that the investments of the District be limited to those investments contained in Florida Statutes 218.415(17) subparagraphs (a) through (d), which allow investments in the local government pooled investment account, securities and exchange commission money market funds which are required to have the highest credit quality rating from a nationally recognized rating agency, interest-bearing time deposits or savings accounts in qualified public depositories, and direct obligations of the United States Treasury. The District’s investment policy does not further limit its investment maturities as a means of managing its exposure to fair value losses arising from increasing interest nor does it further limit its investment choices to mitigate its exposure to credit risk. Standard and Poor’s (S&P) Ratings Services assigned its “AAAm” principal stability fund rating to the Florida PRIME for the current fiscal year.

NOTE C – CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets not depreciated:				
Land	\$ 223,836	\$ -	\$ -	\$ 223,836
Total capital assets not depreciated	<u>223,836</u>	<u>-</u>	<u>-</u>	<u>223,836</u>
Capital assets depreciated:				
Building and improvements	1,318,832	33,758	-	1,352,590
Furniture and fixtures	98,292	-	-	98,292
Machinery and equipment	87,505	30,723	-	118,228
Infrastructure	3,318,748	20,545	-	3,339,293
Computer software	2,188	-	-	2,188
Total capital assets depreciated	<u>4,825,565</u>	<u>85,026</u>	<u>-</u>	<u>4,910,591</u>
Less accumulated depreciation:				
Building and improvements	821,657	60,794	-	882,451
Furniture and fixtures	87,792	2,428	-	90,220
Machinery and equipment	56,158	13,000	-	69,158
Infrastructure	977,609	117,308	-	1,094,917
Computer software	2,188	-	-	2,188
Total accumulated depreciation	<u>1,945,404</u>	<u>193,530</u>	<u>-</u>	<u>2,138,934</u>
Total capital assets, depreciated, net	<u>\$ 2,880,161</u>	<u>\$ (108,504)</u>	<u>\$ -</u>	<u>\$ 2,771,657</u>
Total capital assets, net	<u>\$ 3,103,997</u>	<u>\$ (108,504)</u>	<u>\$ -</u>	<u>\$ 2,995,493</u>

Port Malabar Holiday Park Mobile Home Park Recreation District
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE C – CAPITAL ASSETS (continued)

Depreciation expense was charged to the functions of the District as follows:

General government	\$	18,357
Public safety		6,342
Transportation		108,325
Recreation - grounds		60,506
		60,506
	\$	193,530

NOTE D – NON-AD VALOREM SPECIAL ASSESSMENTS

Non-ad valorem special assessments are levied annually on all improved residential properties as of January 1, the lien date. The non-ad valorem special assessments are due and payable November 1 through March 31 and are delinquent beginning April 1. A tax certificate sale is held at the end of May on all delinquent property taxes and non-ad valorem special assessments; therefore, assessments which would be susceptible to accrual, are fully collected prior to the end of the District’s fiscal year.

The non-ad valorem special assessments are billed and collected by the Brevard County Tax Collector pursuant to an agreement with the Brevard County Property Appraiser. At September 30, 2018, there was \$68,745 of non-ad valorem special assessments tax certificates prior to 2018 that have not been sold. Due to the uncertainty of these amounts they have not been recognized either on the government wide or fund basis.

NOTE E – 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. In order to limit its exposure to these risks, the District is a participant in the Florida League of Cities (a not-for-profit corporation) insurance program for workers compensation, general and auto liability. The insurance program purchases excess and specific coverages from third party 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. Additionally, the District has purchased commercial property insurance and various other insurance coverages from third parties to cover other risks that the District may be exposed to. There have been no significant reductions in insurance coverages during fiscal year 2018. Settled claims resulting from the risks described above have not exceeded the insurance coverage in any of the previous three years.

Port Malabar Holiday Park Mobile Home Park Recreation District
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE F – NONCURRENT LIABILITIES

The following is a summary of noncurrent liabilities as of and for the year ended September 30, 2018:

	Balance at October 1, 2017	Additions	Reductions	Balance at September 30, 2018	Due within one year
Note payable	\$ 720,041	\$ -	\$ (234,178)	\$ 485,863	\$ 216,372

On March 4, 2005, the District became party to a \$1,000,000 line of credit agreement with Riverside National Bank (now TD Bank) to finance the cost of capital improvements, including repairs to road and drainage systems. Pursuant to the note agreement, the District was obligated to make monthly interest-only payments on the outstanding balance during the initial 24-month period (the financing period) at 4.84%. Principal and interest obligations are based upon a twelve year amortization schedule. Any unpaid principal and interest becomes due on March 4, 2020. The note is secured by pledged revenues of gross assessments. Interest rates will be adjusted every five years to equal .5% above the Federal Home Loan Bank 60 month index rate.

The current interest rate is 2.42%. Current year principal and interest payments on this note were \$90,678 and \$2,853, respectively, and the balance at September 30, 2018 was \$54,475.

On November 9, 2007, the District entered into an agreement with Riverside National Bank (now TD Bank) for a non-revolving line of credit of \$1,000,000. The initial 24 months were an interest only line of credit and on the 24 month anniversary the line of credit automatically converted into a term loan. The loan was based on a 156 month amortization schedule with an interest rate that will change every five years.

The initial interest rate was 5.63%. The interest only payments commenced on December 9, 2007 and continued through November 9, 2009. Level principal and interest payments on the outstanding balance as of November 9, 2009 commenced on December 9, 2009 and will continue until November 9, 2022 at which time the outstanding balance will become due and payable. The note is secured by pledged revenues of gross assessments. Interest rates will be adjusted every five years to equal .5% above the Federal Home Loan Bank 60 month index rate. As of September 30, 2018 the interest rate was 1.43%. Current year principal and interest payments on this note were \$83,841 and \$7,759, respectively, and the balance at September 30, 2018 was \$258,786.

Port Malabar Holiday Park Mobile Home Park Recreation District
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE F – NONCURRENT LIABILITIES (continued)

On May 12, 2008, the District entered in an agreement with Riverside National Bank (now TD Bank) for a non-revolving line of credit for \$600,000. The initial 12 months were an interest only line of credit and on the 12 month anniversary the line of credit automatically converted into a term loan. The loan was based on a 168 month amortization schedule with an interest rate that will change every five years. The initial interest rate is 5.23%. The interest only payment commenced on June 12, 2008 and continued until May 12, 2009. Level principal and interest payments on the outstanding balance as of May 12, 2009 commenced on June 12, 2009 and will continue until May 12, 2023 at which time the outstanding balance will become due and payable. The note is secured by pledged revenues of gross assessments. Interest rates will be adjusted every five years to equal .5% above the Federal Home Loan Bank 60 month index rate. As of September 30, 2018 the interest rate was 1.60%. Current year principal and interest payments on this note were \$59,659 and \$1,513, respectively, and the balance at September 30, 2018 was \$172,602.

The following represents the annual requirements for the years ending September 30:

	Principal	Interest
2019	\$ 216,372	\$ 8,652
2020	164,272	4,388
2021	105,218	857
	\$ 485,862	\$ 13,897

NOTE G – OPERATING LEASE

The District leases a copier under an operating lease. For the year ended September 30, 2018, the total cost of the copier lease was \$2,697. The District entered into the lease in January 2017 for a term of 60 months.

The District leases laundry equipment under an operating lease. For the year ended September 30, 2018, the total cost of laundry equipment leases was \$1,843. The District entered into the lease in August 2016 for a term of 84 months.

Port Malabar Holiday Park Mobile Home Park Recreation District
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE G – OPERATING LEASE (continued)

The future minimum lease payments for the leases are as follows:

2019	3,852
2020	3,852
2021	3,852
2022	2,468
Thereafter	<u>2,368</u>
	<u>\$ 16,392</u>

NOTE H – COMMITMENTS AND CONTINGENCIES

The District entered into a contract with a cable provider to purchase bulk standard cable service to provide to the residents of the District. The contract term is ten years beginning December 2013, after which the contract will automatically renew for successive three year terms unless cancelled by the District or the provider. The initial monthly cost was set at \$19.10 per unit for 703 units with a provision to increase annually not more than five percent.

NOTE I – SUBSEQUENT EVENTS

The District has evaluated subsequent events through March 5, 2019, the date which the financial statements were available for issuance, and has determined that no material events occurred that would require additional disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Port Malabar Holiday Park Mobile Home Park Recreation District
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS – BUDGET AND ACTUAL – GENERAL FUND
For the year ended September 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Assessments	\$ 1,162,300	\$ 1,162,300	\$ 1,164,444	\$ 2,144
Charges for services	5,000	5,000	6,491	1,491
Interest	2,500	2,500	10,418	7,918
Other income	3,000	3,000	1,047	(1,953)
Total revenues	<u>1,172,800</u>	<u>1,172,800</u>	<u>1,182,400</u>	<u>9,600</u>
Expenditures				
Current:				
General government	524,280	524,280	469,054	55,226
Public safety	105,690	114,606	115,811	(1,205)
Physical environment	136,885	136,885	119,815	17,070
Transportation	10,500	10,500	7,740	2,760
Recreation-grounds	303,248	303,248	269,440	33,808
Capital outlay	92,197	92,197	85,026	7,171
Total expenditures	<u>1,172,800</u>	<u>1,181,716</u>	<u>1,066,886</u>	<u>114,830</u>
Excess (deficiency) of revenues over (under) expenditures	-	(8,916)	115,514	124,430
Fund balances at October 1, 2017			<u>1,061,825</u>	
Fund balances at September 30, 2018			<u>\$ 1,177,339</u>	

Port Malabar Holiday Park Mobile Home Park Recreation District
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS – BUDGET AND ACTUAL – DEBT SERVICE FUND
For the year ended September 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Assessments	\$ 262,200	\$ 262,200	\$ 246,303	\$ (15,897)
Total revenues	<u>262,200</u>	<u>262,200</u>	<u>246,303</u>	<u>(15,897)</u>
Expenditures				
Debt service				
Principal	247,678	247,678	234,178	13,500
Interest	14,522	14,522	12,125	2,397
Total expenditures	<u>262,200</u>	<u>262,200</u>	<u>246,303</u>	<u>15,897</u>
Net change in fund balance	-	-	-	-
Fund balance at October 1, 2017	-	-	-	-
Fund balance at September 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Port Malabar Holiday Park Mobile Home Park Recreation District
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
September 30, 2018

NOTE A – BUDGETARY INFORMATION

1. Budget policy

The Board of Trustees adopts an annual budget pursuant to public hearings held in June of the previous fiscal year. The District maintains budget control at the department level; however, the legal level of control is at the District level. Budget amendments must be approved by the Board of Trustees. During the current year, there were various budget amendments approved by the Board of Trustees.

2. Budgetary accounting

The District's budget is adopted on the modified accrual basis of accounting which is consistent with U.S. generally accepted accounting principles.

COMPLIANCE INFORMATION

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

To the Board of Trustees
Port Malabar Holiday Park
Mobile Home Park Recreation District
Palm 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 financial statements of the governmental activities and each major fund and the aggregate fund information of Port Malabar Holiday Park Mobile Home Park 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 5, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 a 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charges with governance.

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

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McDonough CPA Solutions, PA

March 5, 2019
Melbourne, Florida

MANAGEMENT LETTER

To the Board of Trustees
Port Malabar Holiday Park
Mobile Home Park Recreation District
Palm Bay, Florida

Report on the Financial Statements

We have audited the financial statements of Port Malabar Holiday Park Mobile Home Park Recreation District, Florida (the "District"), as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated March 5, 2019.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.850, Rules of the Auditor General.

Other Reports 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 the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with the AICPA Professional Standards, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General.

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 annual financial audit report. Prior year findings 2017-001 & 2017-002 have been repeated.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires 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. of the entity. The Port Malabar Holiday Park Mobile Home Park Recreation District was established by and is governed per the special law 54-1407 Laws of Florida. Additional legal entity disclosures are included in Note A-1 of the financial statements. The Port Malabar Holiday Park Mobile Home Park Recreation District does not have any component units.

Financial Condition and Management

Sections 10.554(1)(i)5.a., Rules of the Auditor General, requires that we 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 for the District. 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.

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2018, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with annual financial audit report for the fiscal year ended September 30, 2018. In connection with our audit, we determined the two reports were in agreement.

Special District Component Units

Sections 10.554(1)(i)5.d., Rules of the Auditor General, requires that we determine whether or not a special district is a component unit of the county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district component unites provided the necessary information for the proper reporting in accordance with Section 219.39(3)(b), Florida Statutes. The Port Malabar Holiday Park Mobile Home Park Recreation District does not have any component units and is not a component unit of another entity.

Additional Matters

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 audit, such matters are noted in the attachment to this letter "Management Letter Comments and Recommendations."

The District's response to the finding identified in our audit is described below. We did not audit the District's response and, accordingly, we express no opinion:

- *On March 5, 2019, the District agrees with the recommendations and implemented them immediately.*

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 Florida Auditor General, Federal and other granting agencies, other governmental agencies, the Board of Trustees, applicable District's management and is not intended to be and should not be used by anyone other than these specified parties.

McDonough CPA Solutions, PA

March 5, 2019
Melbourne, Florida

Prior Year Recommendations - Repeated

2017-001 Basis of accounting

Condition: Financial reporting for a governmental agency has two key objectives: to report whether the entities current-year revenues were sufficient to pay current-year expenses, and to demonstrate whether the entity acquired and used its resources according to its legally adopted budget. The modified accrual basis of accounting combines the cash basis and accrual basis of accounting to accomplish both objectives. Costs associated with acquiring capital assets in governmental funds are recorded as capital outlay expenditures when the liability is incurred, usually on receipt of the related asset. Principal payments as well as interest are expensed as debt service.

Cause: Due to the turnover in personnel, the District did not maintain their accounting records on the modified accrual basis of accounting or the full accrual basis. Fixed assets were capitalized, long-term debt was accrued, however current year principal on long-term debt was expensed.

Effect: Capital outlay was understated, long-term debt was overstated and the District's beginning fund balance did not agree with the prior year.

Recommendation: We recommend that the District maintain their accounting records on the modified accrual basis of accounting, the same basis of accounting used to prepare the Board of Trustees' approved annual budget.

2017-002 Time card approval

Condition: Our audit procedures included testing the payroll system controls. Our tests indicated that employees' time cards do not always contain the employees signature nor documentation of approval by supervisors or managers.

Cause: Payroll approvals were not consistently followed due to the high turnover in personnel during the year.

Effect: We determined the controls over the process of payroll are not operating effectively.

Recommendation: We recommend the District Manager and Board members that receive the payroll reports, initial and date their approval in order to document they verified they agree with the payroll processed.

INDEPENDENT ACCOUNTANT'S REPORT ON INVESTMENT COMPLIANCE

To the Board of Trustees
Port Malabar Holiday Park
Mobile Home Park Recreation District
Palm Bay, Florida

We have examined Port Malabar Holiday Park Mobile Home Park Recreation District's (the "District") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds 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 and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

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

This report is intended solely for the information and use of the District, the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

McDonough CPA Solutions, PA

March 5, 2019
Melbourne, Florida



**PORT MALABAR HOLIDAY PARK
MOBILE HOME PARK RECREATION DISTRICT**

215 Holiday Park Blvd. NE
Palm Bay, Florida 32907-2196
Office: 321-724-2240

Management's Response

January 23, 2019

Ms. Sherrill F. Norman
Auditor General
Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Ms. Norman

Port Malabar Holiday Park Mobile Home Park Recreation District has received a list of findings and recommendations dated January 23, 2019. The District appreciates the efforts made to provide meaningful and constructive feedback.

We agree with the auditors' findings and will put procedures and policies in place to remedy the findings.

If you need any further information, please do not hesitate to contact me.

Sincerely,

Keith Rittscher
Treasurer



PORT MALABAR HOLIDAY PARK MOBILE HOME PARK RECREATION DISTRICT

215 Holiday Park Blvd. NE
Palm Bay, Florida 32907-2196
Office: 321-724-2240

January 23, 2019

McDonough CPA Solutions, PA
7025 N. Wickham Rd, Ste 110
Melbourne, Florida 32940

This representation letter is provided in connection with your audits of the financial statements of Port Malabar Holiday Park Mobile Home Park Recreation District (the "District"), which comprise the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information as of September 30, 2018 and the respective changes in financial position for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of January 23, 2019 the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 10, 2018, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.



PORT MALABAR HOLIDAY PARK MOBILE HOME PARK RECREATION DISTRICT

215 Holiday Park Blvd. NE
Palm Bay, Florida 32907-2196
Office: 321-724-2240

- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 9) Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 10) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters [and all audit or relevant monitoring reports, if any, received from funding sources].
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 11) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 12) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 13) We have no knowledge of any fraud or suspected fraud that affects the District and involves—
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 14) We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, regulators, or others.
- 15) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 16) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the



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financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.

- 17) We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions of which we are aware.

Government-specific

- 18) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 19) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 20) The District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 21) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 22) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 23) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 24) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 25) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 26) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 27) The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.



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- 28) The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 29) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 30) The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34.
- 31) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 32) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 33) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 34) Provisions for uncollectible receivables have been properly identified and recorded.
- 35) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 36) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 37) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 38) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 39) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 40) The government meets the GASB-established requirements for accounting for eligible infrastructure assets using the modified approach. We have appropriately disclosed the District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 41) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.



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42) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

Signature: Keith Belcher Signature: Steve Morris
Title: Treasurer Title: District Manager