

**TRAILER ESTATES PARK &
RECREATION DISTRICT**

FINANCIAL STATEMENTS

Year Ended September 30, 2012

TRAILER ESTATES PARK & RECREATION DISTRICT

2011-2012 FISCAL YEAR

BOARD OF TRUSTEES

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Trailer Estates Park & Recreation District
Bradenton, Florida

We have audited the accompanying financial statements of the governmental activities and major fund (the General Fund) of Trailer Estates Park & Recreation District (the "District"), as of and for the year ended September 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these basic 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 basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund (the General Fund) of the District as of September 30, 2012, and the respective changes in financial position and budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2012, 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, 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 the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 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.

Mauldin & Jenkins, LLC

Bradenton, Florida
December 12, 2012

TRAILER ESTATES PARK & RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012
(Unaudited)

The following pages represent Management's Discussion and Analysis (MD&A) for the financial statements of Trailer Estates Park and Recreation District. It depicts and reviews the financial picture and activities as of and for the year ending September 30, 2012.

The intent of this MD&A is to present a picture and assessment of the District's financial performance in an effort to more clearly demonstrate to readers the results of this year's financial operations. Readers should review this MD&A along with the basic financial statements and notes enclosed.

Financial Highlights

- The District's assets exceeded its liabilities (net assets at September 30, 2012) by \$933,197 and net assets increased during the year \$372,161.
- During the year ending September 30, 2012, revenues decreased \$185,722 or approximately 11% and expenses (including depreciation of \$75,448) decreased \$262,936 or approximately 18% from the prior year.
- During the year, the District repaid borrowed funds in the amount of \$159,500 leaving \$568,000 outstanding.

Using the Financial Statements

The financial report includes a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity. These financial statements consist of three sections: government-wide financial statements; fund financial statements; and notes to financial statements.

Government-wide Financial Statements

The government-wide financial statements provide both long- and short-term information about the District's overall financial status. These statements are prepared using the accrual basis of accounting similar to private sector businesses. They include a statement of net assets and a statement of activities.

The statement of net assets presents information on the District's assets and liabilities and the difference between the assets and liabilities (net assets) using accounting methods similar to those used by private sector companies. This is a useful way to measure the financial health of the organization.

TRAILER ESTATES PARK & RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012
(Unaudited)

The statement of activities presents information showing how the District's net assets changed during the fiscal year. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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 governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District only has one governmental fund, the General Fund.

The General Fund is used to account for essentially the same functions reported in the government-wide financial statements, but is prepared using the modified accrual basis of accounting. The fund financial statements focus on near-term inflows and outflows of spendable resources as well as on the balances of spendable resources available at the end of the fiscal year, and is a narrower focus than the government-wide financial statements.

By comparing functions between the two sets of financial statements for the General Fund and governmental activities, readers may better understand the long-term impact of the government's near-term financing decisions. Both the General Fund balance sheet and the General Fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison.

The District adopts an annual appropriated budget for the General Fund. A budgetary comparison schedule has been provided in the basic financial statements.

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 General Fund financial statements.

TRAILER ESTATES PARK & RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012
(Unaudited)

Government-wide Financial Analysis

Statement of Net Assets

	<u>2012</u>	<u>2011</u>	<u>Change</u>
Current and other assets	\$ 1,124,386	917,361	207,025
Capital assets	<u>496,804</u>	<u>512,938</u>	(16,134)
Total assets	<u>\$ 1,621,190</u>	<u>1,430,299</u>	<u>190,891</u>
Current liabilities	\$ 102,285	124,055	(21,770)
Noncurrent liabilities	<u>585,708</u>	<u>745,208</u>	(159,500)
Total liabilities	<u>\$ 687,993</u>	<u>869,263</u>	(181,270)
Invested in capital assets	\$ 496,804	512,938	(16,134)
Unrestricted	<u>436,393</u>	<u>48,098</u>	<u>388,295</u>
Total net assets	<u>\$ 933,197</u>	<u>561,036</u>	<u>372,161</u>

Total assets increased \$190,891 as follows:

	<u>Increase/(Decrease)</u>
Cash and cash equivalents	\$ 199,033
Accounts receivable	5,661
Prepaid expenses	2,331
Capital assets	(16,134)

Cash increased due to fewer expenses being incurred and the savings set aside to offset the large amount of promissory note principal to pay back in 2012-2013. The accounts receivable increase is due to an increase in invoices outstanding. The decrease in capital assets was due to the net effect of depreciation expense exceeding capital asset additions for the current year.

Liabilities decreased \$181,270 as follows:

	<u>Increase/(Decrease)</u>
Accounts payable and accrued expenses	\$ (1,697)
Accrued interest	(3,606)
Accrued payroll	(39)
Deferred rental revenue	(12,176)
Refundable deposits	(4,252)
Notes payable	(159,500)

TRAILER ESTATES PARK & RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012
(Unaudited)

The decrease of \$1,697 in accounts payable and accrued expenses is because most invoices, including attorney fees, were kept current through September 30, 2012. Invoices submitted after September 30, 2012, for services rendered prior to September 30, 2012, were paid through accounts payable. Accrued interest decreased due to the decrease in notes payable resulting in less interest due since the principal owed is decreased. Unearned rental revenue decreased from prior year due to payment timing differences. Refundable deposits decreased due to a previous year policy change and increased awareness regarding the issuance of second keys consequently additional deposits are being collected and subsequently returned. Notes payable decreased related to the repayment of principal on the loans received from residents.

Statement of Activities

	<u>2012</u>	<u>2011</u>	<u>Change</u>
Revenues			
Program Revenues			
Charges for services	\$ 176,050	151,399	24,651
Operating grants and contributions	--	--	--
General Revenues:			
Assessments	1,354,505	1,565,184	(210,679)
Investment income	1,443	1,137	306
Total revenues	<u>1,531,998</u>	<u>1,717,720</u>	<u>(185,722)</u>
Expenses			
Culture and recreation	1,128,551	1,385,030	(256,479)
Interest on long-term debt	31,286	37,743	(6,457)
Total expenses	<u>1,159,837</u>	<u>1,422,773</u>	<u>(262,936)</u>
Change in net assets	372,161	294,947	77,214
Beginning net assets	<u>561,036</u>	<u>266,089</u>	<u>294,947</u>
Ending net assets	<u>\$ 933,197</u>	<u>561,036</u>	<u>372,161</u>

Total revenues decreased \$185,722 as follows:

	<u>Increase/(Decrease)</u>
Assessments	\$ (210,679)
Rent and charges for services	22,045
Investment income	306
Social activities	(635)
Miscellaneous	3,241

TRAILER ESTATES PARK & RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012
(Unaudited)

The assessment decrease is primarily due to the decrease in the amount of the assessment from \$1,300 to \$1,125. Some assessments were paid later so the discount was not a factor. Rent increase was mainly due to the increased marina rentals from outside boaters. Investment income increased related to the percentage of interest earned and the amount of cash in the money market account. Other investment alternatives were researched, but since the District was unsure of the longevity of the excess funds due to the need to pay back the promissory notes, the Board was unable to place the funds in a higher interest time specific investment. Social activities income is based on attendance and shows a slight decrease from prior year. There was a slight increase in application fee income.

Total expenses decreased \$262,936 as follows:

	<u>Increase/(Decrease)</u>
Payroll and employee benefits	\$ (17,973)
Sanitation	(13,620)
Utilities	(12,051)
Cable TV	6,618
Repair and maintenance	(6,534)
Administrative	(213,867)
Social activities	1,778
Miscellaneous	(2,087)
Depreciation	1,257
Interest	(6,457)

Payroll and employee benefits decreased due to splitting a full-time position into two part-time positions where the combined wage for the part-time positions is significantly lower than the wage for a long-standing full-time employee. Health and dental insurance benefits were discontinued for this full-time employee who went to part-time, therefore lowering our health and dental insurance costs. In addition, a variety of proposals for employee health insurance coverage were solicited. From these proposals the Trustees, in collaboration with the employees, selected a plan that would cost the District less. Sanitation decreased due to the new contract that was entered into in 2011 and was therefore in effect for the full fiscal year. Utilities decreased due to conservation efforts of staff and residents along with the selection of efficient heating and cooling systems when replacements were purchased. Cable TV increased due to a change in rates charged as defined in our contract. Administrative expenses which also includes attorney fees, were much less than prior year and were significantly lower than budgeted due to the end of the lawsuit and the proceedings. Interest expense decreased due to the decrease in principal owed on the promissory notes.

TRAILER ESTATES PARK & RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012
(Unaudited)

Budgetary Highlights

In the second quarter of 2011, the Board of Trustees approved a budget for the fiscal year 2011-2012. State law requires the District have a balanced budget. Since changing trash collection companies in late January 2011 and signing a 10-year contract we are showing a significant cost savings. We expect to reap cost savings for many years to come. The 2011-2012 Budget includes the 2nd year pay down of the money loaned to us by residents. Legal fees, which are presented in the administrative expenditures, are significantly lower due to the lowered level of activity related to the lawsuit, and the actual conclusion of proceedings. Although the District's Board approved the purchase of 2.88 acres in September of 2012 and amended the Budget to allow for this purchase, the transaction did not occur until October 2012.

Capital Assets

At September 30, 2012, the District reported total capital assets of \$2,385,282 net of accumulated depreciation of \$1,888,478 for net capital assets of \$496,804. There was \$59,314 of capital assets added during the fiscal year. Current depreciation expense of \$75,448 was recognized in 2012.

Capital Assets (Net of Accumulated Depreciation)

	<u>2012</u>	<u>2011</u>	<u>Change</u>
Land	\$ 100,000	100,000	--
Buildings	226,949	266,278	(39,329)
Furniture and equipment	33,816	43,405	(9,589)
Improvements	136,039	103,255	32,784
	<u>\$ 496,804</u>	<u>512,938</u>	<u>(16,134)</u>

See NOTE C to the financial statements for a detail of activity during the fiscal year and other related information.

Long-term Debt

During prior years the District borrowed funds and issued promissory notes to residents of the District in the amount of \$897,500. Of the total borrowed, \$568,000 is still outstanding as of September 30, 2012, to be repaid. See NOTE D to the financial statements for additional information regarding the debt provisions and annual debt service requirements.

TRAILER ESTATES PARK & RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012
(Unaudited)

Economic Factors and Next Year's Budget

The budget for fiscal year 2012-2013 will receive a decrease in assessments from \$1,125 to \$1,075. This should cover all costs, allow for final repayment of the promissory notes, and provide for over \$100,000 of capital outlay/improvements that were held off during the last 3 years. We will make needed changes to the pool deck, exercise equipment and sound equipment. We will also replace roofing of the woodshop and flooring in the kitchen. Other areas include ductwork and A/C replacement along with upkeep of the shuffle courts. We anticipate replacing the 28 year old maintenance truck and have also set aside additional funds for marina dredging (bringing its total to \$45,000) and refinishing the flooring in the large hall.

We will finish the repairing of the docks which began in 2011-2012. We continue to advertise our marina and are seeing an increase in interest for slip rental. We plan to dredge the marina in the future and to prepare for this we continue to set aside funds as noted earlier in this budget discussion.

During this budget year we will bring forward the monies (\$290,000) we have set aside to help pay back the promissory notes that were needed to maintain the District and to pay the costs related to the lawsuit. This is the final payoff of all principal and interest in a 3-year payback plan that was developed to carry the District through this legal action.

The lawsuit ended in fiscal year 2011-2012 and the new budget includes a significantly smaller amount for litigation expenditures. The District's Board also pursued the matter of recouping costs and fees. Court costs were awarded to the District and at the present time the necessary steps are being taken to begin collection proceedings.

The largest expense in our budget, besides wages and benefits, is the payback of the promissory notes. Due to the positive results of the lawsuit and subsequent determinations related to this matter that occurred during the last half of 2011-2012, the legal fees for the year were not as large as anticipated. We ended the year with additional monies sufficient to warrant consideration of early payback of the loan/promissory notes. Since assessments for the 2012-2013 year are not deposited until late November/early December 2012 the District's Board had to assure that the early payback would not harm the District or leave it without the necessary funds to operate. After careful deliberation and analysis the Board paid back the principal on November 15, 2012 realizing a savings of almost \$12,000 in interest.

We have 4 full-time employees and 6 part-time employees. To help offset the increased costs related to employee health insurance coverage the full-time employees continue to work with the District's Board in finding a health insurance program that fits within the budget that has been set.

TRAILER ESTATES PARK & RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012
(Unaudited)

The District's Board will be considering activity and facility needs, space and property acquisition for expansion and other matters as we think about the future of the District. Some of the matters that will be considered include the expiration of the laundry contract, revisions to the television service and possible inclusion of internet, determining how we will use the recently purchased adjacent property (2.88 acres adjacent to the NE corner of the park) and modifications to our parking area on the corner of Bay Drive and Park Lane. To gain property owner opinion, a questionnaire was sent out during April/May 2012 to all property owners and the analysis of these results will be discussed during the 2012-2013 year.

As we look to the future we can see that the higher assessments of the past few years were needed as we addressed the costs related to the lawsuit. With the ending of this matter, the District's Board can more easily regulate our future assessments by addressing on-going costs and our own choices for future improvements or growth.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with interest. Questions concerning any of the information in this report or requests for additional information should be addressed to the Treasurer and the Board of Trustees of Trailer Estates Park & Recreation District, 1903 69th Avenue West, Bradenton, Florida 34207.

TRAILER ESTATES PARK & RECREATION DISTRICT
STATEMENT OF NET ASSETS
September 30, 2012

ASSETS	
Cash and cash equivalents	\$ 1,092,694
Accounts receivable	6,724
Prepaid expenses	24,968
Capital assets (net of accumulated depreciation)	
Land	100,000
Buildings	226,949
Furniture and equipment	33,816
Improvements	136,039
	<hr/>
Total assets	1,621,190
	<hr/>
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	36,378
Accrued interest	16,705
Unearned rental revenue	27,322
Refundable deposits	21,880
	<hr/>
	102,285
Noncurrent liabilities	
Due within one year	568,000
Due in more than one year	17,708
	<hr/>
	585,708
	<hr/>
Total liabilities	687,993
	<hr/>
Net assets	
Invested in capital assets	496,804
Unrestricted	436,393
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Total net assets	\$ 933,197
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See accompanying notes to financial statements.

TRAILER ESTATES PARK & RECREATION DISTRICT
STATEMENT OF ACTIVITIES
For the year ended September 30, 2012

	<u>Program Revenues</u>			Net (Expense) Revenue and Change in Net Assets
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities				
Culture and recreation	\$ 1,128,551	176,050	--	(952,501)
Interest on long-term debt	31,286	--	--	(31,286)
Total expenses	<u>\$ 1,159,837</u>	<u>176,050</u>	<u>--</u>	<u>(983,787)</u>
General revenues				
Assessments				1,354,505
Investment income				1,443
Total general revenues				<u>1,355,948</u>
Change in net assets				372,161
Net assets, beginning				<u>561,036</u>
Net assets, ending				<u>\$ 933,197</u>

See accompanying notes to financial statements.

TRAILER ESTATES PARK & RECREATION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS—GENERAL FUND
September 30, 2012

ASSETS		
Cash and cash equivalents	\$	1,092,694
Accounts receivable		6,724
Prepaid items		<u>24,968</u>
TOTAL ASSETS	\$	<u><u>1,124,386</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable and accrued expenses	\$	36,378
Deferred rental revenue		27,322
Refundable deposits		<u>21,880</u>
Total liabilities		<u>85,580</u>
Fund balance		
Nonspendable, prepaid items		24,968
Assigned, beautification		3,159
Unassigned		<u>1,010,679</u>
Total fund balance		<u>1,038,806</u>
TOTAL LIABILITIES AND FUND BALANCE	\$	<u><u>1,124,386</u></u>
Fund balance, above	\$	1,038,806
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		496,804
Long-term liabilities, including notes payable (\$568,000), accrued interest (\$16,705), and compensated absences (\$17,708), are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(602,413)</u>
Net assets of governmental activities (page 12)	\$	<u><u>933,197</u></u>

See accompanying notes to financial statements.

TRAILER ESTATES PARK & RECREATION DISTRICT
 GOVERNMENTAL FUNDS—GENERAL FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET (GAAP BASIS) AND ACTUAL
 For the year ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues				
Assessments	\$ 1,351,485	1,351,485	1,354,505	3,020
Rent	105,166	105,166	124,626	19,460
Investment income	500	500	1,443	943
Social activities	16,700	16,700	19,918	3,218
Miscellaneous	19,500	19,500	28,490	8,990
Total revenues	1,493,351	1,493,351	1,528,982	35,631
Expenditures				
Current				
Culture and recreation				
Payroll and employee benefits	350,000	350,000	307,611	42,389
Sanitation	126,000	126,000	120,600	5,400
Utilities	95,000	95,000	83,241	11,759
Cable TV	236,250	236,250	235,827	423
Repair and maintenance	75,000	75,000	75,418	(418)
Administrative	402,000	322,000	193,865	128,135
Social activities	28,100	28,100	28,196	(96)
Miscellaneous	2,500	2,500	5,328	(2,828)
Debt Service:				
Principal	139,500	139,500	159,500	(20,000)
Interest	32,423	32,423	34,893	(2,470)
Capital outlay	66,900	200,900	59,315	141,585
Total expenditures	1,553,673	1,607,673	1,303,794	303,879
Excess (deficiency) of revenues over (under) expenditures	(60,322)	(114,322)	225,188	339,510
Fund balance, beginning	813,618	813,618	813,618	--
Fund balance, ending	<u>\$ 753,296</u>	<u>699,296</u>	<u>1,038,806</u>	<u>339,510</u>
Net change in fund balance, above	\$		225,188	

Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$75,448) exceeded capital outlays (\$59,315) in the current year.

(16,133)

The issuance of long-term debt (e.g. notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$159,500) consumes the current financial resources of governmental funds.

159,500

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest

3,606

Change in net assets of governmental activities (page 12)

\$ 372,161

TRAILER ESTATES PARK & RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed by the Trailer Estates Park & Recreation District (the “District”):

Reporting Entity: The District is a political subdivision of Manatee County, Florida, and was created in 1969, by special legislative act HR 2595 in accordance with Florida Law Chapter 69-1287. The District is governed by a nine-member Board of Trustees and is independent of all local governing bodies.

Although the District is a special district located within Manatee County, the Manatee County Board of County Commissioners does not exercise any control over the District. Control is primarily determined based upon the financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. Because the District elects its own Board of Trustees, levies its own taxes, and is responsible for its own operations, the District is not included with Manatee County's financial statements and is presented independently of the County.

Criteria for determining if other entities are potential component units which should be reported within the District’s financial statements are described in GASB Statement No. 14, as amended by GASB Statement No 39. The application of these criteria provide for identification of any entities for which the District is financially accountable and other organizations for which the nature and significance of their relationship with the District is such that exclusion would cause the District’s financial statements to be misleading or incomplete. Based on these criteria, no potential component units are required to be included within the reporting entity of the District.

The District is an instrumentality of the State of Florida and is exempt from Federal income tax.

Basis of Presentation: The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (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 GASB has issued a codification of governmental accounting and financial reporting standards. This codification and subsequent GASB pronouncements are recognized as GAAP for state and local governments.

Government-wide and Fund Financial Statements: The District’s basic financial statements include both government-wide (reporting on the District as a whole) and fund financial statements. The government-wide financial statements (i.e., Statement of Net Assets and Statement of Activities) report information on all non-fiduciary activities of the District. The government-wide financial statements present governmental activities only. The District has no business-type activities. Separate financial statements are provided for the General Fund.

TRAILER ESTATES PARK & RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function (or segment) 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 function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other revenues not properly included among program revenues are reported instead as *general revenues*.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements: 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. Property tax 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.

Government Fund Financial Statements: Governmental funds 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 government 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, are recorded only when payment is due.

Property tax assessments and interest associated with the current fiscal period are all considered to be susceptible to accrual and so 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 government.

The government reports the following major (and only) governmental fund:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

TRAILER ESTATES PARK & RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting: The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Treasurer and Budget Committee prepare a preliminary budget to be presented to the Board of Trustees and residents. Two or more meetings are held for resident comments and suggestions. Public hearings are conducted by the District to obtain taxpayer comments.
2. The budget is approved at the March Board of Trustees meeting.
3. Tax bills are rendered, become a lien against the property, and are due on November 1, of each year. Payments of assessments due are allowed various discounts if paid in the months of November to February. Assessments become delinquent on April 1.
4. Tax certificates are sold by the County Tax Collector on June 1.
5. No expenditures in excess of total fund appropriations are allowable without Board of Trustee approval. The Board of Trustees may legally amend the budget.
6. Budgets for governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
7. Appropriations lapse at year-end.

Cash and Cash Equivalents: Cash and cash equivalents include amounts on deposit in checking and money market accounts.

Receivables: All receivables are deemed collectible.

Capital Assets: Capital assets, which include land, buildings, improvements and infrastructure assets, are reported in the governmental activities of the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of more than \$500 and an estimated useful life of more than one year. Purchased or constructed capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Depreciation is provided using the straight-line method. The estimated useful lives of the various classes of depreciable capital assets are as follows:

	<u>Years</u>
Buildings	10 - 39
Furniture and equipment	3 - 10
Improvements	5 - 20

Long-Term Obligations: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

TRAILER ESTATES PARK & RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences: The District allows salaried employees vacation and sick leave based upon the number of years of service to the District. Unused vacation hours lapse at year-end. Sick leave vests at 50% for up to 100 days after 20 years of service and the attainment of age 55 or with any number of years of service after reaching a retirement age of 65. The District has recorded a liability for accrued sick leave in the amount of \$17,708 as of September 30, 2012 based on expected future payments.

Fund Equity: Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net assets.”

Fund Balance: Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- *Nonspendable:* Fund balances are reported as nonspendable when amounts cannot be spent because they are either: (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- *Restricted:* Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- *Committed:* Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees. Only the Board of Trustees may modify or rescind the commitment.
- *Assigned:* Fund balances are reported as assigned when amounts are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. Currently the Board of Trustees is authorized to assign fund balances.
- *Unassigned:* Fund balances are reported as unassigned as the residual amount when balances do not meet any of the above criterion. The District reports a positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in other funds should the District establish other funds at a later time.

Net Assets: Net assets represent the difference between assets and liabilities in the Statement of Net Assets. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external

TRAILER ESTATES PARK & RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

restrictions imposed by creditors, grantors, laws or regulations. All net assets not reported as net assets invested in capital assets, net of related debt and restricted net assets, are reported as unrestricted net assets.

Flow Assumptions: When both restricted and unrestricted amounts of fund balance/net assets are available for use for expenditures/expenses incurred, it is the District's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the District's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B – CASH AND CASH EQUIVALENTS

At September 30, 2012, the carrying amount of the District's deposits was \$1,092,694 and the bank balance was \$1,095,588. The Federal Deposit Insurance Corporation insures each depositor up to \$250,000 for non-interest bearing account balances. At September 30, 2012, the District had \$845,588 of uninsured cash balances. However, all deposits are with institutions that are Qualified Public Depositories and, therefore, covered by amounts in excess of depository insurance pursuant to Florida Statutes Chapter 280 *Florida Security for Public Deposits Act*.

TRAILER ESTATES PARK & RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE C – CAPITAL ASSETS

Changes in capital assets by major classes of assets during the year ended September 30, 2012, consist of:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 100,000	--	--	100,000
Capital assets being depreciated				
Buildings	1,372,685	--	--	1,372,685
Furniture and equipment	245,811	6,513	--	252,324
Improvements	607,472	52,801	--	660,273
Total capital assets being depreciated	<u>2,225,968</u>	<u>59,314</u>	<u>--</u>	<u>2,285,282</u>
Less accumulated depreciation for				
Buildings	1,106,407	39,329	--	1,145,736
Furniture and equipment	202,406	16,102	--	218,508
Improvements	504,217	20,017	--	524,234
Total accumulated depreciation	<u>1,813,030</u>	<u>75,448</u>	<u>--</u>	<u>1,888,478</u>
Total capital assets being depreciated, net	<u>412,938</u>	<u>(16,134)</u>	<u>--</u>	<u>396,804</u>
Governmental activities capital assets, net	<u>\$ 512,938</u>	<u>(16,134)</u>	<u>--</u>	<u>496,804</u>

Depreciation expense of \$75,448 was charged to governmental activities.

NOTE D – LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes payable	\$ 727,500	--	(159,500)	568,000	568,000
Compensated absences	17,708	--	--	17,708	--
Total long-term liabilities	<u>\$ 745,208</u>	<u>--</u>	<u>(159,500)</u>	<u>585,708</u>	<u>568,000</u>

The compensated absences liability will be paid from the General Fund from which employees' salaries are paid.

TRAILER ESTATES PARK & RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE D – LONG-TERM LIABILITIES (CONTINUED)

During a prior year, the District borrowed funds and issued forty-nine promissory notes to residents of the District for a total amount of \$897,500 to provide funding to pay legal costs related to the Sunshine Law/Public Records Lawsuit. These notes were issued in amounts ranging from \$1,000 to \$100,000 at interest rates ranging from 3% to 5% payable annually, and with final maturities extending to April 15, 2013.

The annual debt service requirements to maturity for these notes are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	<u>\$ 568,000</u>	<u>16,705</u>	<u>584,705</u>

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 for which the District carries commercial insurance. The District failed to secure renewed bond insurance for two Trustees for the period of March 15, 2012 through end of the fiscal year. Upon discovery in October, the matter was rectified. Otherwise, the District has not had any reduction in insurance coverage and the amount of claims resulting from these risks has not exceeded insurance coverage for the past three years.

NOTE F – LAWSUIT

During the current fiscal year, the District incurred in excess of \$87,000 in legal fees related to the lawsuit filed in 2008 by two residents, who were seeking declaratory relief and reasonable legal fees in regard to alleged violations of Florida's Sunshine Laws and/or Public Records Laws. Overall, the District has incurred in excess of \$1.4 million in fees related to this case. The matter is now closed as the District obtained a Final Judgment dated November 3, 2010, with a verdict related to the ongoing case of Smith & Denson vs. Trailer Estates. In the Final Judgment, the Manatee County Circuit Court rendered in favor of the District on all counts. On January 14, 2011, the plaintiffs filed a Notice of Appeal to the Second District Court of Appeals. A *per curiam* decision was rendered by the State of Florida, 2nd District Court of Appeals on December 7, 2011. A further appeal to the Florida Supreme Court was not sought by the Plaintiffs. All filings and determinations related to this matter occurred during the last half of the 2011-2012 fiscal year. Court costs were awarded to the District and at the present time the District's Board is taking the necessary steps to collect these monies. No adjustments to the financial statements have been made due to the uncertainty of collection efforts.

TRAILER ESTATES PARK & RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE G – SUBSEQUENT EVENTS

The District has evaluated all subsequent events through December 12, 2012, the date the financial statements were available to be issued.

The District, subsequent to end of the fiscal year and prior to issuance of these financial statements, repaid all outstanding resident loans in full. Additionally, the District closed on the purchase of property in the amount of \$131,550, originally planned for prior to end of year.

OTHER INDEPENDENT AUDITOR'S REPORTS

**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
Trailer Estates Park & Recreation District
Bradenton, Florida

We have audited the financial statements of the governmental activities and major fund (the General Fund) of Trailer Estates Park & Recreation District (the "District"), as of and for the year ended September 30, 2012, and issued our report thereon dated December 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Management Letter, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider Audit Finding 2012-01 reported in the accompanying Management Letter to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's response to the finding identified in our audit is found in the schedule of responses to auditor's management letter. We did not audit the District's responses to the findings identified in our audit and, accordingly, we express no opinion on it.

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

Mauldin & Jenkins, LLC

Bradenton, Florida
December 12, 2012

MANAGEMENT LETTER

Board of Trustees
Trailer Estates Park & Recreation District
Bradenton, Florida

We have audited the financial statements of the Trailer Estates Park & Recreation District (the "District"), as of and for the fiscal year ended September 30, 2012, and have issued our report thereon December 12, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our 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*. Disclosures in that report, which is dated December 12, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports.

- 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. Finding 2012-01 reported in the Current Year Findings and Recommendations is being repeated for the third consecutive year. The finding references for prior years are 2010-2 and 2011-1.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415 Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the District complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we reported Finding 2012-01 in the Current Year Findings and Recommendations.
- Section 10.554 (1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. There are no matters of this type that require disclosure.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to financial statements. The District disclosed the required information in the notes to financial statements.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the District for the fiscal year ended September 30, 2012, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2012. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Mauldin & Jenkins, LLC

Bradenton, Florida
December 12, 2012

CURRENT YEAR FINDING AND RECOMMENDATION

2012-01 Audit Adjustments

The District is responsible for accurate financial reporting which includes detecting and preventing misstatements in the financial statements, as well as within the underlying financial records. As noted in the previous years, our audit revealed several audit adjustments that were necessary for the fair presentation of the financial statements.

Although the District relies on the independent auditor for the fair presentation of the financial statements, the auditor cannot be a part of the District's internal control system. Therefore, based on the amount of adjustments made as a result of the audit, the District has a material weakness regarding the fairness of financial reporting.

Therefore, we again recommend that the District implement procedures to ensure all entries are properly recorded prior to commencement of the audit to facilitate the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Management's Response:

We agree that the entries should be made before the audit. Although the Treasurer has in the past checked for entry errors, the procedure has not been faithfully followed and, as a result, by the end of the fiscal year, there are items that have not been corrected. The Treasurer will write a procedure and follow the directions monthly to keep entry errors from being overlooked in the financial statements. These items will be kept in a binder to be reviewed by the auditors.

OTHER FINANCIAL INFORMATION

**AUDITOR'S REPORT
ON CHARTS AND GRAPHS**

Board of Trustees
Trailer Estates Park & Recreation District
Bradenton, Florida

Our report on our audit of the basic financial statements of Trailer Estates Park & Recreation District, (the "District") as of and for the year ended September 30, 2012, appears on page 1 of the audited financial statements. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The charts and graphs on pages 29-33 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The charts and graphs are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Mauldin & Jenkins, LLC

Bradenton, Florida
December 12, 2012