

Harbour Waterway Special District
Duval County, Florida
Financial Statements
June 30, 2013

Roy Miller & Associates
Certified Public Accountants
Jacksonville, Florida

**Harbour Waterway Special District
Duval County, Florida
June 30, 2013**

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Independent Auditors' Report

Harbour Waterway Special District
Board of Supervisors
11554 Starboard Drive
Jacksonville, Florida 32225-1015

We have audited the accompanying financial statements of the Harbour Waterway Special District ("the District") as of and for the year ended June 30, 2013, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2013, and the results of its operations and cash flows 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 November 4, 2013, on our consideration of the District's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Roy Miller and Associates
Certified Public Accountants
Jacksonville, Florida
November 4, 2013

Harbour Waterway Special District Management's Discussion and Analysis For the Year Ended June 30, 2013

Management's discussion and analysis of Harbour Waterway Special District's (the "District") financial performance provides an analysis of the District's financial activities. The analysis provides summary financial information for the District and should be read in conjunction with the District's financial statements.

Overview of the Financial Statements

The District is engaged in a single governmental program and administers only one fund, the General Fund.

The basic financial statements of the District include two components; 1) Government-wide financial statements and 2) Notes to the financial statements.

Government-wide financial statements provide readers with an overview of the District's financial activities for the year.

These statements include; a **Statement of Net Assets** which presents information on all of the District's assets and liabilities and shows the net assets; a **Statement of Activities** which presents information showing how the District's net assets changed during the most recent fiscal year; and **The Statement of Cash Flows** reports cash receipts and cash payments.

All of the District's programs are considered to be governmental activities and are all related to the maintenance of the system of canals located in the Harbour, Harbour North, Harbour Cay, and Harbour Island neighborhood. The District's primary source of funds for these activities is non-ad valorem assessment revenues from the property owners of the aforementioned neighborhoods. The District does not have any business-type activities that are intended to recover any or all of these costs through user fees and charges.

The government-wide financial statements provide an overall picture of the District's financial standing. These statements are comparable to private-sector companies and give a good understanding of the District's overall financial health and how the District paid for the activities, or functions, provided by the District. All assets of the District are reported in the **Statement of Net Assets**. The **Statement of Activities** includes revenues and expenditures and the change in net assets for the period. **The Statement of Cash Flows** reports cash receipts and cash disbursements for the fiscal year ended June 30, 2013.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

Financial Highlights

The following are various financial highlights for fiscal year ended June 30, 2013:

The District received funds from Harbour Waterway Special District (the "District") Taxable Special Assessment Revenue Notes, Series 2012 and 2013 of \$ 676,000.

The District's overall net assets decreased by approximately \$ 305,000.

Total ending unrestricted net assets were approximately a negative \$ 305,000.

The District had total expenses for the year of about \$ 510,000, compared to revenues of approximately \$205,000.

**Harbour Waterway Special District
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

Financial Analysis of the District

The following schedule provides a summary of the assets, liabilities and net assets of the District.

Over time, net assets may serve as a useful indicator of a government's financial position. In the case of the District, liabilities exceed assets by \$ 305,440 at the close of the fiscal year. This being the initial year of activity of the financial activity of the District, the current year reflects an initial funding via debt concomitantly with major first year expenditures, resulting in a decrease in net assets. Management anticipates future revenues through assessments will reverse this initial first year trend.

	2012
Current assets	\$ 353,312
Non-current assets	22,756
Total Assets	<u>376,068</u>
Current liabilities	133,508
Non-current liabilities	548,000
Total Liabilities	<u>681,508</u>
Unrestricted net assets	<u>(305,440)</u>
Total Net Assets	<u><u>\$ (305,440)</u></u>
Governmental Revenues	
Operating revenues	\$ 214,090
Non-operating revenues	111
Total Revenues	<u>214,201</u>
Expenses	
Amortization expense	2,744
Operating expenses	481,514
Non-operating expenses	35,383
Total Expenses	<u>519,641</u>
Change in Net Assets	\$ (305,440)
Net Assets - Beginning of Year	<u>-</u>
Net Assets - End of Year	<u><u>\$ (305,440)</u></u>

While the statements of net assets show the change in financial position of net assets, the statements of revenues, expenses and changes in net assets provide answers as to the nature and source of these changes.

Budgetary Highlights

There was one change between the original and final budgets for the General Fund.

Revenues received in the General Fund were higher than budgeted amounts.

General Fund expenditures were lower than budgeted amounts.

**Harbour Waterway Special District
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

Economic Factors

We are not currently aware of any conditions that are expected to have a significant effect on the District's financial position or results of operations.

Contacting the District's Financial Management

The financial report is designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions concerning any of the information provided in this report or need additional information, contact the District's Secretary/Treasurer, Stanley H. Pipes, Jr.

Harbour Waterway Special District
Statement of Net Assets
June 30, 2013

Assets		
Current assets		
Cash and cash equivalents	\$	344,785
Accounts receivable		7,500
Prepaid insurance		<u>1,027</u>
Total current assets		353,312
Non-current assets		
Capitalized bond origination fees - net of accumulated amortization		<u>22,756</u>
Total assets	\$	<u><u>376,068</u></u>
Liabilities		
Current liabilities		
Accounts payable	\$	3,875
Accrued interest payable		1,633
Revenue notes payable - current portion		<u>128,000</u>
Total current liabilities		133,508
Non-current liabilities		
Revenue notes payable - non-current		<u>548,000</u>
Total liabilities		681,508
Net Assets		
Unrestricted		<u>(305,440)</u>
Total liabilities and net assets	\$	<u><u>376,068</u></u>

Harbour Waterway Special District
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2013

Operating revenues	
Assessment income	\$ 205,344
Contribution income	8,746
Interest income	111
	214,201
Total operating revenues	214,201
Operating expenditures	
Dredging	481,514
Legal service	17,951
Audit fee	3,150
Legal advertising	509
Office supplies	66
Website hosting	180
Interest	7,468
Insurance	3,081
Amortization	2,744
Other administrative	2,978
	519,641
Total operating expenditures	519,641
Changes in net assets	(305,440)
Net assets, beginning of year	-
Net assets, end of year	\$ (305,440)

Harbour Waterway Special District
Statement of Cash Flow
For the year ended June 30, 2013

Cash flows from operating activities:	
Changes in net assets	\$ (305,440)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities	
Amortization	2,744
Increase in accounts receivable	(7,500)
Increase in prepaid insurance	(1,027)
Increase in accounts payable	3,875
Increase in accrued interest payable	<u>1,633</u>
Total cash from operating activities	<u>(305,715)</u>
Cash flows from financing activities	
Proceeds from Harbour Waterway Association	11,000
Repayments to Harbour Waterway Association	(11,000)
Proceeds from revenue note payable	676,000
Increase in capitalized bond origination fees	<u>(25,500)</u>
Net cash from financing activities	<u>650,500</u>
Net increase (decrease) in cash and cash equivalents	344,785
Cash and cash equivalents at beginning of year	<u>-</u>
Cash and cash equivalentss at end of year	<u><u>\$ 344,785</u></u>

Harbour Waterway Special District

Notes to Financial Statements

For the year ended June 30, 2013

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The District is a dependent special district, created in 2010 by the City Council under ordinance number 2010-725-E-of the City of Jacksonville, Duval County, Florida pursuant to Section 189.4041 of the Florida Statutes; adopting a charter for the Harbour Waterway Special District for the limited purpose of maintaining the system of canals located in the Harbour, Harbour North, Harbour Cay, and Harbour Island neighborhood. It operates under the direction of a Board of Supervisors elected by the registered voters within the District.

The District uses the criteria established in GASB Statement No. 14 to define the reporting entity and identify component units. Component units are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the District's financial statements to be misleading or incomplete. There are no entities to consider for inclusion as a component unit within the District's reporting entity. The District did not participate in any joint ventures during the 2012-2013 fiscal year.

Basic Financial Statements

The District is engaged in a single governmental program and administers only one fund, the General Fund. The Statement of Net Assets reports the District's financial position as of the end of the fiscal year for the General Fund. The Statement of Activities reports changes in the financial position of the General Fund. The Statement of Cash Flows reports cash receipts and cash disbursements for the fiscal year ended June 30, 2013 for the General Fund.

Basis of Accounting

The General Fund's financial statements are reported using the accrual basis of accounting. Revenues are recognized when earned. Expenditures are recorded when incurred.

Cash and Cash Equivalents

All of the cash deposits of the District are placed with qualified public depositories and are insured by federal depository insurance.

Net Assets

Net assets represent the difference between assets and liabilities reported. Net assets are reported as restricted when there are externally imposed restrictions or restrictions imposed by enabling legislation. Unrestricted net assets are net assets that do not meet the definition of the classification previously described. As of June 30, 2013, the District had no restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

Risk Management

The District is exposed to various risks of loss including general liability, property, and officials' liability. To manage its risks, the District has commercial insurance and participates in the Florida Mutual Insurance Trust administered by the Florida League of Cities. The District pays an annual premium to the Trust for its coverage. The premiums are designed to fund the liability risks assumed by the Trust and are based on certain actual exposures of each member.

Non-ad valorem Assessments and Collection

Florida Statutes requires that special districts provide for the collection and enforcement of non-ad valorem assessments, expressing the specific intent to use the uniform method of levy, collection and enforcement. The District has entered into an interlocal agreement with the Duval County Property Appraiser and the Duval County Tax Collector to administer the collection and enforcement of the non-ad valorem assessments.

Harbour Waterway Special District
Notes to Financial Statements
For the year ended June 30, 2013

Allowance for Doubtful Accounts

The District's enabling legislation give the District the authority to place liens on properties in the even that assessments are not paid when due. Consequently, an allowance for uncollectible accounts is not maintained because the District believes all amounts will ultimately be collected.

Note 2 - Concentration of Credit Risk

At June 30, 2013, a total of \$ 344,785 in cash is on deposit. All deposits are insured by federal deposit insurance or collateralized pursuant to Chapter 280, Florida Statutes.

In addition to insurance provided by the Federal Deposit Insurance Corporation, deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposit Act, the State Treasurer requires all Florida qualified depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of a failure of qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

Note 3 - Bonds Payable

Bonds payable at June 30, 2013 are as follows:

Series 2012

\$350,000 Harbour Waterway Special District, Duval County, Florida Taxable Special Assessment Revenue Note, Series 2012 were issued to pay the cost of dredging. Due in semi-annual installments on May 1 and November 1, commencing May 1, 2013 through May 1, 2018; interest rate is 2.8%.

Payments are to be made as follows:

	Interest	Principal	Total
5/1/2013	\$ 3,784	\$ -	\$ 3,784
11/1/2013	4,900	-	4,900
5/1/2014	4,900	66,000	70,900
11/1/2014	3,976		3,976
5/1/2015	3,976	68,000	71,976
11/1/2015	3,024		3,024
5/1/2016	3,024	70,000	73,024
11/1/2016	2,044		2,044
5/1/2017	2,044	72,000	74,044
11/1/2017	1,036		1,036
5/1/2018	1,036	74,000	75,036
Total	<u>\$ 33,744</u>	<u>\$ 350,000</u>	<u>\$ 383,744</u>

The bonds are secured by the non-advalorem assessments of the District.

Harbour Waterway Special District
Notes to Financial Statements
For the year ended June 30, 2013

Note 3 - Bonds Payable (continued)

Series 2013

\$326,000 Harbour Waterway Special District, Duval County, Florida Taxable Special Assessment Revenue Note, Series 2013 were issued to pay the cost of dredging. Due in semi-annual installments on May 1 and November 1, commencing May 1, 2013 through May 1, 2018; interest rate is 2.8%.

Payments are to be made as follows:

	Interest	Principal	Total
5/1/2013	\$ 1,548	\$ -	\$ 1,548
11/1/2013	4,564	-	4,564
5/1/2014	4,564	62,000	66,564
11/1/2014	3,696		3,696
5/1/2015	3,696	63,000	66,696
11/1/2015	2,814		2,814
5/1/2016	2,814	65,000	67,814
11/1/2016	1,904		1,904
5/1/2017	1,904	67,000	68,904
11/1/2017	966		966
5/1/2018	966	69,000	69,966
Total	<u>\$ 29,436</u>	<u>\$ 326,000</u>	<u>\$ 355,436</u>

The bonds are secured by the non-advallorem assessments of the District.

Note 4 - Subsequent Events

Pursuant to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 855-10-50-1, subsequent events have been evaluated through the issue date of November 4, 2013.

Required Supplementary Information

Harbour Waterway Special District
Statement of Activities and Changes in Fund Balance
Budget and Actual
For the year ended June 30, 2013

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Net Assessments	\$ 209,405	\$ 203,615	\$ 205,344	\$ 1,729
Contribution Income	-	-	\$ 8,746	\$ 8,746
Interest Income	300	300	111	(189)
Total Revenues	209,705	203,915	214,201	10,286
Expenditures				
Administrative				
Legal services	12,000	12,000	17,951	(5,951)
Annual audit	2,500	2,500	3,150	(650)
Postage	500	500	-	500
Printing & binding	500	500	-	500
Legal advertising	2,500	2,500	509	1,991
Office supplies	500	500	66	434
Website hosting fee	250	250	180	70
Insurance	4,100	4,100	3,081	1,019
Interest expense	7,015	5,332	7,468	(2,136)
Other administrative expenditures	1,200	1,200	5,722	(4,522)
Total Administrative Expenditures	31,065	29,382	38,127	(8,745)
Canal Maintenance and Dredging Operations				
Dredging Contractor	515,000	805,400	481,514	323,886
Total Canal Maintenance and Dredging Operations	515,000	805,400	481,514	323,886
Total Expenditures	546,065	834,782	519,641	315,141
Excess Revenues (Expenditures)	\$ (336,360)	\$ (630,867)	\$ (305,440)	\$ (304,855)
Fund Balance - beginning of year	-	-	-	-
Fund Balance - end of year	\$ (336,360)	\$ (630,867)	\$ (305,440)	\$ (304,855)

Note to Schedule

The budget is prepared by the Treasurer and approved by the Board of Supervisors. The final budgeted revenues and expenditures reflect all amendments approved by the Board of Supervisors. The budget is prepared on the accrual basis of accounting, which is consistent with generally accepted accounting principles.



Established
1976

PayWrite Systems, Inc. dba
Roy Miller & Associates

Certified Public Accountants

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**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**

Harbour Waterway Special District
Board of Supervisors
11554 Starboard Drive
Jacksonville, Florida 32225-1015

We have audited the financial statements of the Harbour Waterway Special District as of and for the year ended June 30, 2013, and have issued our report thereon dated November 4, 2013. 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 Harbour Waterway Special District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Harbour Waterway Special District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Harbour Waterway Special District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Harbour Waterway Special District's internal control over financial reporting.

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

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 over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Harbour Waterway Special District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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.

This report is intended solely for the information and use of management, The Board of Supervisors, others within the entity, federal awarding agencies, state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



Roy Miller & Associates
Certified Public Accountants
Jacksonville, Florida
November 4, 2013



INDEPENDENT AUDITORS' MANAGEMENT LETTER

Harbour Waterway Special District
Board of Supervisors
11554 Starboard Drive
Jacksonville, Florida 32225-1015

We have audited the basic financial statements of the Harbour Waterway Special District as of and for the year ended June 30, 2013, and have issued our report thereon dated November 4, 2013.

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 November 4, 2013, and should be considered in conjunction with the Management Letter.

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

CURRENT YEAR COMMENTS

Investment of Public Funds

Rules of the Auditor General require our audit to include a review of the Harbour Waterway Special District's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Harbour Waterway Special District complied with Section 218.415, Florida Statutes.

Current Year Recommendations

Rules of the Auditor General require that we address in the Management Letter any recommendations to improve financial management. In connection with our audit, we did not have any recommendations that are required to be reported in this letter.

Violations of Contracts and Grant Provisions or Abuse

Rules of the Auditor General require that we address violations of provisions of contracts or grant agreements, fraud, illegal acts, 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.

Matters Inconsequential to the Financial Statements

Rules of the Auditor General provides that the auditor may, based upon 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. In connection with our audit for the fiscal year ended June 30, 2013, we did not have any such findings.

Oversight Unit and Component Units

Rules of the Auditor General require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this Management Letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 to the financial statements.

Consideration of Financial Emergency Criteria

Rules of the Auditor General require a statement be included as to whether or not the local government entity has met one or more of the condition described in Section 218.503, Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the Harbour Waterway Special District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Annual Financial Report

Rules of the Auditor General require that we determine whether the annual financial report for Harbour Waterway Special District for the fiscal year ended June 30, 2013, 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 June 30, 2013. In connection with our audit, we determined that these two reports were in substantial agreement.

Financial Condition Assessment Procedures

Rules of the Auditor General require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the Harbour Waterway Special 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 management. The results of our procedures did not disclose any matters that are required to be reported.



Roy Miller & Associates
Certified Public Accountants
Jacksonville, Florida
November 4, 2013