Harbour Waterway Special District
Duval County, Florida
Financial Statements
For the Year Ended June 30, 2019

Harbour Waterway Special District
Duval County, Florida
For the Year Ended June 30, 2019

Table of Contents

Independent Auditor's Report	2-3
Management Discussion and Analysis (unaudited)	4-6
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position	7
Statement of Activities	8
Governmental Fund Financial Statements	
Governmental Fund Balance Sheet & Statement of Net Position	9
Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities	10
Proprietary Fund-Reed Island Enterprise Fund	
Statement of Net Position	11
Statement of Cash Flows	12
Notes to Financial Statements	13-15
Required Supplemental Information	
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund	16
Additional Elements Required by *Government Auditing Standards*	
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*	17
Additional Elements Required by the Rules of the Auditor General	
Independent Auditor's Management Letter	18-19

Independent Auditor's Report

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Harbour Waterway Special District ("the District") as of and for the year ended June 30, 2019, 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
The District's 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
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I 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 entity'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 entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activites and each major fund of the District, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

183 Landrum Lane, Suite 203, Ponte Vedra Beach, Florida 32082
904-860-1040 robert@rmtcpa.com

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, I have also issued my report dated July 31, 2019 on my consideration of the District's internal control over financial reporting and on my 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 my 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.

In accordance with the *Rules of the Florida Auditor General*, I have also issued the management letter dated July 31, 2019.

Robert M. Thaggard, CPA

July 31, 2019

Harbour Waterway Special District
Management's Discussion and Analysis
For the Year Ended June 30, 2019
(Unaudited)

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 two funds, the General Fund and the Reed Island Enterprise Fund.

The basic financial statements of the District include a combined governmental fund and a government-wide statement, as well as notes to the financial statements. There is additional supplementary information following these financial statements, which may be of interest to the reader.

The statement of Governmental Fund Balance Sheet/Statement of Net Position is designed to provide the reader with the financial position of the District and is similar to private-sector financial statements. The statements include a Statement of Net Position and a Statement of Activities.

The statement of Governmental Fund Balance Sheet/Statement of Net Position, general fund column shows the District's near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirement.

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 neighborhoods. 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 has one business-type activity that is intended to recover any or all of these costs through user fees and charges. In February 2018 and again in April 2019, the District acquired a total of 182 acres from Jacksonville Port Authority and the City of Jacksonville on Reed Island as part of a plan to provide a permanent dredge disposal site for the District, other similar special districts, homeower associations and private residences in Jacksonville. A Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows is presented for this Enterpise Fund, as applicable.

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, 2019:

The District completed its purchase of a 44 acre parcel of land known on Reed Island from the City of Jacksonville to be used for a dredge spoil site. The total cost was $95,017.

The District serviced its debt of a $450,000 Special Assessment Revenue Note with BB&T, the proceeds of which were used to purchase the aforementioned land for approximately $300,000 and to payoff the remaining Series 2012 and 2013 Revenue Notes totaling $143,000.

The District's overall net position increased by approximately $102,645.

Financial Highlights (Continued)

Total ending net position was approximately a positive $273,825.

The District had total expenses for the year of about $96,423 compared to revenues of approximately $199,068.

The District's acquisition of the Reed Island acreage for use as a spoil site will provide approximately 1.2 million cubic yards of fill space which is estimated to provide dredge material disposal requirements for the next 50 years. The District will reserve 350,000 cubic yeads for its own needs and will make the remaining fill space available on a commercial basis.

In an exchange with an unrelated commercial dredge operator, the District is permitting the operator to use 300,000 cubic yards of the spoil site for deposit of dredge material, plus an estimated additional 120,000 cubic yeards in exchange for spoil site development. The operator will pay tipping fees totaling $1,687,500 over a 3 year period. In the fiscal year ended June 30, 2019 the District received 50% or $843,750 as a downpayment. These fees have been reflected as unearned revenue in the accompanying proprietary fund financial statements.

Financial Analysis of the District

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

Over time, net position may serve as a useful indicator of a district's financial position. In the case of the District, assets exceed liabilities by $273,825 at the close of the fiscal year. This year of financial activity of the District reflects revenues in excess of expenses, resulting in an increase in net position.

	FYE 2019	FYE 2018
Current assets	$ 1,433,584	$ 328,995
Non-current assets	562,735	-
Capital assets	398,368	300,000
Total Assets	2,394,687	628,995
Current liabilities	57,668	43,793
Non-current liabilities	2,063,194	414,022
Total Liabilities	2,120,862	457,815
Net position	273,825	171,180
Total Net Position	$ 273,825	$ 171,180
District Revenues		
Operating revenues	$ 199,068	$ 200,958
Non-operating revenues	-	-
Total Revenues	199,068	200,958

Expenses		
Depreciation/Amortization expense	372	3,940
Dredging expense	7,199	1,050
Other operating expenses	88,852	35,357
Total Expenses	96,423	40,347
Change in Net Position	$ 102,645	$ 160,611
Net Position - Beginning of Year	171,180	10,569
Net Position - End of Year	$ 273,825	$ 171,180

While the statement of net position shows the change in net position, the statement of revenues, expenditures and changes in fund balance provides answers as to the nature and source of these changes.

Budgetary Highlights

There were no changes between the original and final budgets for the General Fund.

Revenues received in the General Fund were $204 less than the budgeted amount.

General Fund expenditures were $161,902 lower than budgeted amounts due primarily to the delay in closing on the purchase of a Reed Island parcel from the City of Jacksonville for a spoil site and due to the absence of significant planned dredging activities due to this delay.

Personnel costs were a new item as the District hired a part-time District Manager in December, 2018 to oversee and manage the spoil site business-type activities. Personnel costs totaled $31,179 in 2018-2019.

Economic Factors

The District's Board of Supervisors are anticipating that the District's financial condition will improve considerbly due to the increase in its planned business-type activities in the future. With its land acquisitions the District will be able to provide dredge disposal services to other similiar special districts and waterways in Jacksonville at favorable rates for at least the next 30 years.

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 Manager, Stanley H. Pipes, Jr. at 11554 Starboard Drive, Jacksonville, FL 32225.

Harbour Waterway Special District
Statement of Net Position
June 30, 2019

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	$ 56,081	$ 843,750	$ 899,831
Certificate of deposit	250,000	-	250,000
Assessments receivable	1,275	-	1,275
Accounts receivable-tipping fees	-	281,250	281,250
Prepaid insurance	1,228	-	1,228
Total current assets	308,584	1,125,000	1,433,584
Capital Assets			
Office equipment, net of accumulated depreciation of $372	3,351	-	3,351
Land-Reed Island-Parcel No. 160258	95,017	-	95,017
Land-Reed Island-Parcel No. 160259	300,000	-	300,000
Net Capital Assets	398,368	-	398,368
Other Noncurrent Assets			
Tax Certificates	235	-	235
Accounts receivable-tipping fees	-	562,500	562,500
Total assets	$ 707,187	$ 1,687,500	$ 2,394,687
Liabilities			
Current liabilities			
Accounts payable	$ 4,593	$ -	$ 4,593
Accrued interest payable	3,110	-	3,110
Accrued wages & taxes payable	11,637	-	11,637
Revenue notes payable - current portion	38,328	-	38,328
Total current liabilities	57,668	-	57,668
Non-current liabilities			
Revenue notes payable - non-current	375,694	-	375,694
Unearned revenue, tipping fees	-	1,687,500	1,687,500
Total liabilities	433,362	1,687,500	2,120,862
Net Position			
Net Investment in Capital Assets	398,368	-	398,368
Unrestricted	(124,543)	-	(124,543)
Net Position	273,825	-	273,825
Total Liabilities and Net Position	$ 707,187	$ 1,687,500	$ 2,394,687

Harbour Waterway Special District
Statement of Activities
For the Year Ended June 30, 2019

	Governmental Activities	Business-Type Activities	Total
Operating revenues			
Assessment income	$ 199,068	$ -	$ 199,068
Total operating revenues	199,068	-	199,068
Operating expenditures			
Personnel Costs	31,179	-	31,179
Dredging & Spoil Site	7,199	-	7,199
Legal service	24,786	-	24,786
Audit fee	3,381	-	3,381
Legal advertising	559	-	559
Office supplies	1,020	-	1,020
Interest expense	20,041	-	20,041
Insurance	4,786	-	4,786
Depreciation expense	372	-	372
Other administrative	3,100	-	3,100
Total operating expenditures	96,423	-	96,423
Change in net position	102,645	-	102,645
Net position, beginning of year	171,180	-	171,180
Net position, end of year	$ 273,825	$ -	$ 273,825

Harbour Waterway Special District
Governmental Fund Balance Sheet/Statement of Net Position
June 30, 2019

	General Fund	Adjustments	Statement of Net Position
Assets			
Current assets			
Cash and cash equivalents	$ 56,081	$ -	$ 56,081
Certificate of deposit	250,000	-	250,000
Assessments receivable	1,275	-	1,275
Prepaid insurance	1,228	-	1,228
Total current assets	308,584	-	308,584
Capital Assets			
Office equipment, net of accumulated depreciation of $372	3,351	-	3,351
Land-Reed Island-Parcel No. 160258	95,017	-	95,017
Land-Reed Island-Parcel No. 160259	300,000	-	300,000
Net capital assets	398,368	-	398,368
Other Noncurrent Assets			
Tax Certificates	235	-	235
Total assets	$ 707,187	$ -	$ 707,187
Liabilities			
Current liabilities			
Accounts payable	$ 4,593	$ -	$ 4,593
Accrued interest payable	3,110	-	3,110
Accrued wages & taxes payable	11,637	-	11,637
Revenue notes payable - current portion	38,328	-	38,328
Total current liabilities	57,668	-	57,668
Non-current liabilities			
Revenue notes payable - non-current	375,694	-	375,694
Total liabilities	433,362	-	433,362
Fund Balance			
Unassigned	273,825	(273,825)	-
Total Liabilities and Fund Balance	$ 707,187		
Net Position			
Net Investment in Capital Assets		398,368	
Unrestricted		(124,543)	273,825
Total Liabilities and Net Position		$ -	$ 707,187

See accompanying notes to the financial statements

Harbour Waterway Special District
Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance/Statement of Activities
For the Year Ended June 30, 2019

	General Fund	Adjustments	Statement of Activities
Operating revenues			
Assessment income	$ 199,068	$ -	$ 199,068
Total operating revenues	199,068	-	199,068
Operating expenditures			
Personnel Costs	31,179	-	31,179
Dredging & Spoil Site	7,199	-	7,199
Legal service	24,786	-	24,786
Audit fee	3,381	-	3,381
Legal advertising	559	-	559
Office supplies	1,020	-	1,020
Interest expense	20,041	-	20,041
Insurance	4,786	-	4,786
Depreciation expense	372	-	372
Other administrative	3,100	-	3,100
Total operating expenditures	96,423	-	96,423
Excess of Revenues Over Expenses	102,645	-	102,645
Fund Balance/Net position, beginning of year	171,180	-	171,180
Fund Balance/Net position, end of year	$ 273,825	$ -	$ 273,825

Harbour Waterway Special District
Proprietary Fund - Reed Island Enterprise Fund
Statement of Net Position
June 30, 2019

	Business-Type Activities	Adjustments	Statement of Net Position
Assets			
Current assets			
Cash and cash equivalents	$ 843,750	$ -	$ 843,750
Accounts receivable-tipping fees	281,250	-	281,250
Total current assets	1,125,000	-	1,125,000
Noncurrent Assets			
Accounts receivable-tipping fees	562,500	-	562,500
Total assets	$ 1,687,500	$ -	$ 1,687,500
Liabilities			
Non-current liabilities			
Unearned revenue, tipping fees	1,687,500	-	1,687,500
Total liabilities	1,687,500	-	1,687,500
Fund Balance			
Unassigned	-	-	-
Total Liabilities and Fund Balance	$ 1,687,500		
Net Position			
Unrestricted		-	-
Total Liabilities and Net Position		$ -	$ 1,687,500

Harbour Waterway Special District
Proprietary Fund - Reed Island Enterprise Fund
Statement of Cash Flows
For the Year Ended June 30, 2019

Cash Flows from Business-Type Activities		
Receipts from customers	$	843,750
Payments to suppliers		-
Payments to employees		-
Net Cash Flows from Business-Type Activities		843,750
Net Increase in Cash and Cash Equivalents		843,750
Cash and Cash Equivalents, beginning of year		-
Cash and Cash Equivalents, end of year	$	843,750
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating Income	$	-
Adjustments to reconcile operating income to net cash flows from Business-Type Activities:		
(Increase) in Assets:		
Accounts Receivable-Tipping Fees		(843,750)
Increase in Liabilities:		
Unearned Revenue-Tipping Fees		1,687,500
Net Cash Flows from Business-Type Activities	$	843,750

See accompanying notes to the financial statements

Harbour Waterway Special District
Notes to Financial Statements
For the year ended June 30, 2019

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 neighborhoods. 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 2018-2019 fiscal year.

Basic Financial Statements

The District is engaged in a single governmental program and administers two funds, the General Fund and the Reed Island Enterprise Fund. The Statement of Net Position reports the District's financial position as of the end of the fiscal year for the General Fund. The District has taken the option of presenting combined fund financial statements and government-wide statements using a columnar format that reconciles fund financial data to government-wide data in a separate column.

The Statements of Governmental Fund Balance Sheet and Net Position reports the District's financial position as of the end of the fiscal year for both the General Fund and the governmental activities.

The Statement of Revenues, Expenditures and Change in Fund Balances and the Statement of Activities reports changes in the financial position of the General Fund and the governmental activities, and the degree to which functional activities are offset by program revenues for the governmental activities.

Measurement, Basis of Accounting and Financial Statement Presentation

The financial statement of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The District's governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded when the related liability is incurred.

Business-type activities and the proprietary fund financial statements are presented on the accrual basis of accounting. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

Net Position

Net position represent the difference between assets and liabilities reported for the governmental activities. Net position is reported as restricted when there are externally imposed restrictions or restrictions imposed by enabling legislation. Unrestricted net position is net position that does not meet the definition of the classification previously described. As of June 30, 2019, the District had no restricted net position.

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.

Fund Types and Major Funds

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

Proprietary Funds
Enterprise Fund - Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services. The activities reported in this fund are reported as business-type activities in the government-wide financial statements. The Reed Island Enterprise Fund is 182 acres with a 44 acre spoil site that is part of a plan to provide a permanent dredge disposal site for the District, other special districts, homeowner associations, and private residences in Jacksonville.

Budgets and Budgetary Accounting
The District prepares a budget for its General Fund-Statement of Revenues and Expenditures on a consistent basis, which does not differ materially from generally accepted accounting principles. The budget and amendments are approved by the District.

Use of Estimates
Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. 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.

Allowance for Doubtful Accounts
As explained in the paragraph above, delinquent taxes and special assessments are subject to collection by the Tax Collector's office through the sale of tax certificates on real property and the issuance of warrants for seizure and sale of tangible personal property. Consequently, an allowance for uncollectible accounts is not maintained because the District believes all amounts will ultimately be collected by the Duval County Tax Collector.

Note 2 - Concentration of Credit Risk

At June 30, 2019, a total of $1,149,831 in cash is on deposit at one local financial institution which exceeds the federally insured maximum limits. The District has not experienced, nor does it anticipate, any losses with respect to such accounts.

Note 2 - Concentration of Credit Risk (Continued)

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 - Capital Asset - Land

In February 2018 the District purchased a 138 acre parcel of land from Jacksonville Port Authority known as Reed Island. In May 2019 the Districted completed its purchase of a 44 acre parcel of land on Reed Island from the City of Jacksonville. These parcels were acquired at a cost of $395,017 and are stated in the accompanying balance sheet at historical cost. This property is to be used as a dredge spoil site by the District. The District allows others who are similarly situated, such as homeowners associations and special districts, to use the property as a dredge spoil site on commercially reasonable terms as the District may establish.

Note 4 - Revenue Note Payable

Revenue Note payable at June 30, 2019 is as follows:

Series 2018
$450,000 Harbour Waterway Special District, Duval County, Florida Taxable Special Assessment Revenue Note, Series 2018 was issued to pay the cost of the purchase of land to be used as a site for dredging spoils and to retire the outstanding balances of the Series 2012 and 2013 Revenue Notes. It is payable in annual installments on May 1 commencing May 1, 2019; interest rate is 4.5%.

Payments remaining are to be made as follows:

	Interest	Principal	Total
May 1, 2020	18,631	38,328	56,959
May 1, 2021	16,906	40,053	56,959
May 1, 2022	15,104	41,855	56,959
May 1, 2023	13,220	43,738	56,958
May 1, 2024	11,252	45,707	56,959
Thereafter	23,494	204,341	227,835
Total	$ 98,607	$ 414,022	$ 512,629

The note is secured by the non-ad valorem assessments of the District.

Note 5 - Subsequent Events

Management has evaluated subsequent events through July 31, 2019, which is the date the financial statements were available to be issued. In the opinion of management, no events occurred subsequent to June 30, 2019 through July 31, 2019 that require adjustment to the accompanying financial statements.

Required Supplementary Information

Harbour Waterway Special District
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts			Variance Over
	Original	Final	Actual	(Under)
Revenues				
Net Assessments	$ 199,272	$ 199,272	$ 199,068	$ (204)
Spoil Site Disposal Fees	250,000	250,000	-	(250,000)
Total Revenues	449,272	449,272	199,068	(250,204)
Expenditures				
Administrative				
Personnel Costs	-	-	31,179	31,179
Legal services	17,500	17,500	24,786	7,286
Annual audit	3,250	3,250	3,381	131
Legal advertising	250	250	559	309
Office supplies and postage	200	200	1,020	820
Insurance	4,500	4,500	4,786	286
Debt Service-Interest expense	19,985	19,985	20,041	56
Depreciation	-	-	372	372
Other administrative expenditures	4,640	4,640	3,100	(1,540)
Total Administrative Expenditures	50,325	50,325	89,224	38,899
Canal Maintenance and Dredging Operations				
Dredging contractor & surveyor	208,000	208,000	7,199	(200,801)
Total Canal Maintenance and Dredging Operations	208,000	208,000	7,199	(200,801)
Total Expenditures	258,325	258,325	96,423	(161,902)
Excess Revenues (Expenditures)	$ 190,947	$ 190,947	$ 102,645	$ (88,302)
Fund Balance - beginning of year	171,180	171,180	171,180	-
Fund Balance - end of year	$ 362,127	$ 362,127	$ 273,825	$ (88,302)

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.

Additional Elements Required by *Government Auditing Standards*

Robert M. Thaggard, Certified Public Accountant

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 Supervisors
Harbour Waterway Special District
Jacksonville, Florida

I 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 Harbour Waterway Special District, which comprise the statement of net position as of June 30, 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued my report thereon dated July 31, 2019.

Internal Control over Financial Reporting
In planning and performing my audit of the financial statements, I considered Harbour Waterway Special 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Harbour Waterway Special District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Harbour Waterway Special 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 charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I 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 Harbour Waterway Special District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robert M. Thaggard, CPA July 31, 2019

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Additional Elements Required by Auditor General

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

July 31, 2019

Board of Supervisors
Harbour Waterway Special District
Jacksonville, Florida

I have audited the basic financial statements of the Harbour Waterway Special District as of and for the year ended June 30, 2019 and have issued my report thereon dated July 31, 2019. I conducted my 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. I have issued my 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 July 31, 2019, should be considered in conjunction with this Management Letter.

Additionally, my 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 my 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 my audit, I determined that the Harbour Waterway Special District complied with Section 218.415, Florida Statutes.

Current Year Recommendations

Rules of the Auditor General require that I address in the Management Letter any recommendations to improve financial management. In connection with my audit, I 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 I 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 my audit, I 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 my audit for the fiscal year ended June 30, 2019, I 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 conditions described in Section 218.503, Florida Statues, and identification of the specific conditions met. In connection with my audit, I 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 I determine whether the annual financial report for Harbour Waterway Special District for the fiscal year ended June 30, 2019, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statues, is in agreement with the annual financial audit report for the fiscal year ended June 30, 2019. In connection with my audit, I determined that these two reports were in substantial agreement.

Financial Condition Assessment Procedures

Rules of the Auditor General require that I apply financial condition assessment procedures. In connection with my audit, I applied financial condition assessment procedures. It is management's responsibility to monitor the Harbour Waterway Special District's financial condition, and my financial condition assessment was based in part on representations made by management and the review of financial information provided by management. The results of my procedures did not disclose any matters that are required to be reported.

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

Very truly yours,

Robert M. Thaggard, CPA