

HARBOUR WATERWAY
SPECIAL DISTRICT
Agenda

Tuesday
October 13, 2020
6:00 pm

Conference Call
904-549-7655
Pass Code: 4366 8730#

- I. Introduction**
 - a. Call to Order
 - b. Roll Call / Quorum

- II. Administrative**
 - a. Approval of Minutes
 - i. Minutes from September 8, 2020*

- III. District Business**
 - a. Reed Island Spoil Site
 - i. Disposal of Material from Buck Island*
 - ii. Maintenance Equipment for Spoil Site*
 - iii. Tamarix and Brazilian Cherry Removal*
 - b. Spoil Site Disposal Activity
 - i. Isle of Palms – Dredging Project*
 - ii. Millers Creek - Dredging Project*
 - iii. Tarpon Cove – Dredging Project*
 - c. Waterway Rules & Regulations
 - i. Dock and boat lift repairs – Top Dog Construction*

- IV. Financial**
 - a. FY 2019-20 Audit Reports
 - b. Approval to disburse funds

- V. District Schedule**
 - a. Next Scheduled Board Meeting
 - i. November 10, 2020 – Virtual Meeting*

- VI. Other Business**
 - a. Legal and Compliance Issues

- VII. Comments and Questions from Audience**

- VIII. Adjournment of HWSD Meeting**

HARBOUR WATERWAY SPECIAL DISTRICT

Meeting Minutes

Tuesday, October 13, 2020

I. Introduction

The Harbour Waterway Special District (HSWD) meeting of the Board of Supervisors was held via teleconference on October 13, 2020. The meeting was called to order at 6:01pm. In attendance were Robert Birtalan, Wally Lovely, Rick Fornos, Mark Todd, David Prysock, and District Manager Stanley Pipes. It was noted that there was a quorum present. Harbour Waterway attorney Wayne Flowers was present. Caroline Birtalan was present as recording secretary

II. Administrative

Approval of minutes from September 08, 2020 – Motion made to approve the minutes as written; Motion Carried.

III. District Business

Buck Island- A discussion was held regarding Brance Diversified removing, transporting, and then disposing approximately 500,000 cubic yards of dry material into the spoil site.

Reed Island Spoil Site- Part of the Bobcat equipment has been shipped and should be available within the next month. Tamarix Survey- Stanley Pipes has begun the process of cutting down the “Salt Cedar”. A local Boy Scouts troop will be assisting in the removal of Salt Cedar to gain environmental experience.

Spoil Site Disposal Activity- Saint Johns Landing Estates boat ramp dredging has been completed. The Friendship Fountain dredging project is complete.

Isle of Palms- Brance Diversified will be the general contractor for Isle of Palms and dredging is scheduled to begin in January. Millers Creek dredging project has begun and is scheduled to complete in 60 days. Tarpon Cove dredging project - Should begin within the next two months.

Waterway Rules and Regulations- Dock and Boat Lift Repairs- Top Dog has finished all dock repairs in the canal. A motion was made to approve the total repair costs including a broken boat skeg in the amount of \$53,900.00; Motion Carried.

Financial

FY 2019-20 Audit Reports- All accounting procedures were explained and reviewed to the Board. All questions were asked and answered.

Approval to disburse funds- A motion was made to approve the disbursements for administrative, legal services, meeting place, District Manager, dredge project, pilings, 400+ ft of fencing & gates, and BobCat Purchase totaling \$98,679.00; Motion Carried.

Total funds available in the general fund as of September 30 is equal to \$ 737,883.84. Projected total available funds in the HWSD general fund account as of June 30, 2021 after operating expenses and projects is \$1,046,436.24.

IV. District Schedule

Next scheduled Board Meeting- The next meeting is scheduled for November 10, 2020.

V. Other Business

The board was given an update regarding the Marina. Mike Brandy explained that there are multiple legalities that must be taken care of before moving forward.

Legal and compliance issues- Nothing new to report.

VI. Comments and Questions

VII. Adjournment

The meeting was adjourned at 6:59 PM. The next monthly Board of Supervisors Meeting is Scheduled for November 10, 2020.

Respectfully Submitted,



Caroline B. Birtalan
Recording Secretary



Robert P. Birtalan
Secretary / Treasurer

**Harbour Waterway Special District
Duval County, Florida
Financial Statements
For the Year Ended June 30, 2020**

DRAFT

**Harbour Waterway Special District
Duval County, Florida
For the Year Ended June 30, 2020**

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Robert M. Thaggard, *Certified Public Accountant*

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, 2020, 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 activities and each major fund of the District, as of June 30, 2020, 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.

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 October 15, 2020 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 October 15, 2020.

Robert M. Thaggard, CPA

October 15, 2020

**Harbour Waterway Special District
Management's Discussion and Analysis
For the Year Ended June 30, 2020
(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, homeowner 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 Enterprise 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, 2020:

STANLEY PIPES TO INSERT FINANCIAL HIGHLIGHTS HERE.

The District's overall net position decreased by approximately \$1,062,057. This was due primarily to the dredging operations and the maintenance of the spoil site which were planned activities funded primarily by the tipping fees received from the operation of the spoil site.

**Harbour Waterway Special District
Management's Discussion and Analysis
For the Year Ended June 30, 2020
(Unaudited)**

Financial Highlights (Continued)

Total ending net position was approximately a negative \$788,232.

The District had total expenses for the year of about \$1,276,609 compared to revenues of approximately \$214,552.

The District's acquisition of the Reed Island acreage for use as a spoil site provides 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 yards 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 yards 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 \$843,750 as a downpayment and in the fiscal year ended June 30, 2020 the District received an additional \$281,250. These fees have been reflected as unearned revenue in the accompanying proprietary fund financial statements.

In an agreement with another similar special district, the District is permitting the Isle of Palms Special District to use 300,000 cubic yards of the spoil site for deposit of dredge material. Isle of Palms will pay tipping fees totaling \$1,187,500. In the fiscal year ended June 30, 2020 the District received 50% or \$593,750 as a down payment and will receive the balance in three equal payments over the next 3 years. The total fees agreed upon has 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 2019
Current assets	\$ 1,330,565	\$ 1,433,584
Non-current assets	1,318,983	562,735
Capital assets	411,593	398,368
Total Assets	3,061,141	2,394,687
Current liabilities	110,694	57,668
Non-current liabilities	3,738,679	2,063,194
Total Liabilities	3,849,373	2,120,862
Net position	(788,232)	273,825
Total Net Position	\$ (788,232)	\$ 273,825
District Revenues		
Operating revenues	\$ 212,055	\$ 199,068
Non-operating revenues	2,497	-
Total Revenues	214,552	199,068

**Harbour Waterway Special District
Management's Discussion and Analysis
For the Year Ended June 30, 2020
(Unaudited)**

Expenses		
Depreciation/Amortization expense	2,242	372
Dredging & Spoil Site expenses	1,161,651	7,199
Other operating expenses	<u>112,716</u>	<u>88,852</u>
Total Expenses	<u>1,276,609</u>	<u>96,423</u>
Change in Net Position	\$ (1,062,057)	\$ 102,645
Net Position - Beginning of Year	<u>273,825</u>	<u>171,180</u>
Net Position - End of Year	<u>\$ (788,232)</u>	<u>\$ 273,825</u>

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 approximately \$100,000 less than the budgeted amount due primarily to the declaration by the District of a refund of one-half of the 2018-2019 assessments to lot owners.

General Fund expenditures were approximately \$45,000 lower than budgeted amounts due primarily to the lower than anticipated personnel costs. Actual dredging expenses were approximately \$71,000 lower than anticipated.

Spoil site maintenance costs were approximately \$235,000 higher than originally budget in order to ready the spoil site for acceptance of dredged material during the fiscal year 2019-2020.

Economic Factors

The District's Board of Supervisors are anticipating that the District's financial condition will improve considerably 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 similar 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, 2020

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ -	\$ 831,246	\$ 831,246
Assessments receivable	1,127	-	1,127
Accounts receivable-tipping fees	-	479,167	479,167
Prepaid insurance	1,681	17,344	19,025
Total current assets	<u>2,808</u>	<u>1,327,757</u>	<u>1,330,565</u>
Capital Assets			
Office equipment, net of accumulated depreciation of \$1,117	2,607	-	2,607
Vehicles, net of accumulated depreciation of \$1,497	-	13,469	13,469
Land-Reed Island-Parcel No. 160265	500	-	500
Land-Reed Island-Parcel No. 160258	95,017	-	95,017
Land-Reed Island-Parcel No. 160259	300,000	-	300,000
Net Capital Assets	<u>398,124</u>	<u>13,469</u>	<u>411,593</u>
Other Noncurrent Assets			
Tax Certificates	235	-	235
Accounts receivable-tipping fees	-	677,083	677,083
Due from Government Fund	-	641,665	641,665
Total assets	<u>\$ 401,167</u>	<u>\$ 2,659,974</u>	<u>\$ 3,061,141</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 10,233	\$ 48,862	\$ 59,095
Accrued interest payable	2,818	-	2,818
Accrued wages & taxes payable	7,625	1,103	8,728
Revenue notes payable - current portion	40,053	-	40,053
Total current liabilities	<u>60,729</u>	<u>49,965</u>	<u>110,694</u>
Non-current liabilities			
Revenue notes payable - non-current	335,642	-	335,642
Unearned revenue, tipping fees	-	2,761,372	2,761,372
Due to Reed Island Enterprise Fund	641,665	-	641,665
Total liabilities	<u>1,038,036</u>	<u>2,811,337</u>	<u>3,849,373</u>
Net Position			
Net Investment in Capital Assets	398,124	13,469	411,593
Unrestricted	<u>(1,034,993)</u>	<u>(164,832)</u>	<u>(1,199,825)</u>
Net Position	<u>(636,869)</u>	<u>(151,363)</u>	<u>(788,232)</u>
Total Liabilities and Net Position	<u>\$ 401,167</u>	<u>\$ 2,659,974</u>	<u>\$ 3,061,141</u>

**Harbour Waterway Special District
Statement of Activities
For the Year Ended June 30, 2020**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Operating revenues			
Assessment income-current year	\$ 203,926	\$ -	\$ 203,926
Less: Prior year assessment rebate	(105,500)	-	(105,500)
Interest income	2,498	-	2,498
Reed Island Tipping Fees Earned	-	113,628	113,628
	<u>100,924</u>	<u>113,628</u>	<u>214,552</u>
Operating expenditures			
Personnel Costs	37,708	12,266	49,974
Dredging & Spoil Site Maintenance	927,131	234,520	1,161,651
Legal service	9,871	6,900	16,771
Audit fee	5,163	-	5,163
Legal advertising	222	53	275
Office supplies	1,505	596	2,101
Interest expense	18,339	-	18,339
Insurance	6,244	7,754	13,998
Depreciation expense	745	1,497	2,242
Other administrative	4,690	1,405	6,095
	<u>1,011,618</u>	<u>264,991</u>	<u>1,276,609</u>
Change in net position	(910,694)	(151,363)	(1,062,057)
Net position, beginning of year	<u>273,825</u>	<u>-</u>	<u>273,825</u>
Net position, end of year	<u>\$ (636,869)</u>	<u>\$ (151,363)</u>	<u>\$ (788,232)</u>

**Harbour Waterway Special District
Governmental Fund Balance Sheet/Statement of Net Position
June 30, 2020**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets			
Current assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Assessments receivable	1,127	-	1,127
Prepaid insurance	1,681	-	1,681
Total current assets	2,808	-	2,808
Capital Assets			
Office equipment, net of accumulated depreciation of \$1,117	2,607	-	2,607
Land-Reed Island-Parcel No. 160265	500	-	500
Land-Reed Island-Parcel No. 160258	95,017	-	95,017
Land-Reed Island-Parcel No. 160259	300,000	-	300,000
Net capital assets	398,124	-	398,124
Other Noncurrent Assets			
Tax Certificates	235	-	235
Total assets	<u>\$ 401,167</u>	<u>\$ -</u>	<u>\$ 401,167</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 10,233	\$ -	\$ 10,233
Accrued interest payable	2,818	-	2,818
Accrued wages & taxes payable	7,625	-	7,625
Revenue notes payable - current portion	40,053	-	40,053
Total current liabilities	60,729	-	60,729
Non-current liabilities			
Revenue notes payable - non-current	335,642	-	335,642
Due to Reed Island Enterprise Fund	641,665	-	641,665
Total liabilities	1,038,036	-	1,038,036
Fund Balance			
Unassigned	(636,869)	636,869	-
Total Liabilities and Fund Balance	<u>\$ 401,167</u>		
Net Position			
Net Investment in Capital Assets		398,124	
Unrestricted		(1,034,993)	(636,869)
Total Liabilities and Net Position		<u>\$ -</u>	<u>\$ 401,167</u>

Harbour Waterway Special District
Statement of Governmental Fund Revenues, Expenditures and
Changes in Fund Balance/Statement of Activities
For the Year Ended June 30, 2020

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Operating revenues			
Assessment income-current year	\$ 203,926	\$ -	\$ 203,926
Less: Prior year assessment rebate	(105,500)	-	(105,500)
Interest income	2,498	-	2,498
Total operating revenues	<u>100,924</u>	<u>-</u>	<u>100,924</u>
Operating expenditures			
Personnel Costs	37,708	-	37,708
Dredging	927,131	-	927,131
Legal service	9,871	-	9,871
Audit fee	5,163	-	5,163
Legal advertising	222	-	222
Office supplies	1,505	-	1,505
Interest expense	18,339	-	18,339
Insurance	6,244	-	6,244
Depreciation expense	745	-	745
Other administrative	4,690	-	4,690
Total operating expenditures	<u>1,011,618</u>	<u>-</u>	<u>1,011,618</u>
Excess of Revenues Over Expenses	(910,694)	-	(910,694)
Fund Balance/Net position, beginning of year	<u>273,825</u>	<u>-</u>	<u>273,825</u>
Fund Balance/Net position, end of year	<u>\$ (636,869)</u>	<u>\$ -</u>	<u>\$ (636,869)</u>

**Harbour Waterway Special District
Proprietary Fund - Reed Island Enterprise Fund
Statement of Net Position
June 30, 2020**

	<u>Business-Type Activities</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 831,246	\$ -	\$ 831,246
Accounts receivable-tipping fees	479,167	-	479,167
Prepaid insurance	17,344	-	17,344
Total current assets	1,327,757	-	1,327,757
Capital Assets			
Vehicles, net of accumulated depreciation of \$1,497	13,469	-	13,469
Net Capital Assets	13,469	-	13,469
Noncurrent Assets			
Accounts receivable-tipping fees	\$ 677,083	-	677,083
Due from Government Fund	641,665	-	641,665
Total assets	<u>\$ 2,659,974</u>	<u>\$ -</u>	<u>\$ 2,659,974</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 48,862	\$ -	\$ 48,862
Accrued wages & taxes payable	1,103	-	1,103
Total current liabilities	49,965	-	49,965
Non-current liabilities			
Unearned revenue, tipping fees	2,761,372	-	2,761,372
Total liabilities	2,761,372	-	2,761,372
Fund Balance			
Unassigned	(151,363)	151,363	-
Total Liabilities and Fund Balance	<u>\$ 2,659,974</u>		
Net Position			
Net Investment in Capital Assets		13,469	
Unrestricted		(164,832)	(151,363)
Total Liabilities and Net Position		<u>\$ -</u>	<u>\$ 2,659,974</u>

Harbour Waterway Special District
Statement of Proprietary Fund Revenues, Expenditures and
Changes in Fund Balance/Statement of Activities
For the Year Ended June 30, 2020

	<u>Reed Island Enterprise Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Operating revenues			
Reed Island Tipping Fees Earned	\$ 113,628	\$ -	\$ 113,628
Total operating revenues	<u>113,628</u>	<u>-</u>	<u>113,628</u>
Operating expenditures			
Personnel Costs	12,266	-	12,266
Spoil site maintenance	234,520	-	234,520
Legal service	6,900	-	6,900
Legal advertising	53	-	53
Office supplies	596	-	596
Insurance	7,754	-	7,754
Depreciation expense	1,497	-	1,497
Other administrative	1,405	-	1,405
Total operating expenditures	<u>264,991</u>	<u>-</u>	<u>264,991</u>
Excess of Revenues Over Expenses	(151,363)	-	(151,363)
Fund Balance/Net position, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance/Net position, end of year	<u>\$ (151,363)</u>	<u>\$ -</u>	<u>\$ (151,363)</u>

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**Harbour Waterway Special District
Proprietary Fund - Reed Island Enterprise Fund
Statement of Cash Flows
For the Year Ended June 30, 2020**

Cash Flows from Business-Type Activities

Receipts from customers	\$ 875,000
Net advances to Government Fund	(641,665)
Payments to suppliers	(234,676)
Payments to employees	<u>(11,163)</u>
Net Cash Flows from Business-Type Activities	(12,504)
Net Increase in Cash and Cash Equivalents	<u>(12,504)</u>
Cash and Cash Equivalents, beginning of year	843,750
Cash and Cash Equivalents, end of year	<u><u>\$ 831,246</u></u>

Reconciliation of Operating Income to Net Cash from Operating Activities

Excess expenses over revenues	\$ (151,363)
Adjustments to reconcile operating income to net cash flows from Business-Type Activities:	
Depreciation Expense	1,497
(Increase) in Assets:	
Due from Government Fund	(641,665)
Accounts Receivable-Tipping Fees	(312,500)
Prepaid Insurance	(17,344)
Capital Assets	(14,966)
Increase in Liabilities:	
Accounts payable	48,862
Accrued wages & taxes payable	1,103
Unearned Revenue-Tipping Fees	<u>1,073,872</u>
Net Cash Flows from Business-Type Activities	<u><u>\$ (12,504)</u></u>

Harbour Waterway Special District
Notes to Financial Statements
For the year ended June 30, 2020

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 2019-2020 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, 2020, the District had no restricted net position.

Harbour Waterway Special District
Notes to Financial Statements
For the year ended June 30, 2020

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, 2020, a total of \$831,246 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.

Harbour Waterway Special District
Notes to Financial Statements
For the year ended June 30, 2020

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 District 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 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, 2020 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, 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
May 1, 2025	9,195	47,764	56,959
Thereafter	14,299	156,578	170,877
Total	<u>\$ 79,976</u>	<u>\$ 375,695</u>	<u>\$ 455,671</u>

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

Note 5 - Subsequent Events

Management has evaluated subsequent events through October 15, 2020, which is the date the financial statements were available to be issued. In the opinion of management, no events occurred subsequent to June 30, 2020 through October 15, 2020 that require adjustment to the accompanying financial statements.

Required Supplementary Information

DRAFT

Harbour Waterway Special District
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance Over (Under)
	Original	Final		
Revenues				
Assessments, Net of Rebates	\$ 198,307	\$ 198,307	\$ 98,426	\$ (99,881)
Spoil Site Tipping Fees	900,000	900,000	\$ 113,628	(786,372)
Interest Income	-	-	2,498	2,498
Total Revenues	1,098,307	1,098,307	214,552	(883,755)
Expenditures				
Administrative				
Personnel Costs	98,000	98,000	49,974	(48,026)
Legal services	24,000	24,000	16,771	(7,229)
Annual audit	6,000	6,000	5,163	(837)
Legal advertising	300	300	275	(25)
Office supplies and postage	500	500	2,101	1,601
Insurance	7,500	7,500	13,998	6,498
Debt Service-Interest expense	18,348	18,348	18,339	(9)
Depreciation	-	-	2,242	2,242
Other administrative expenditures	5,150	5,150	6,095	945
Total Administrative Expenditures	159,798	159,798	114,958	(44,840)
Dredging Operations & Spoil Site Maintenance				
Dredging contractor & surveyor	998,500	998,500	927,131	(71,369)
Spoil site maintenance	-	-	234,520	234,520
Total Dredging Operations & Spoil Site Maintenance	998,500	998,500	1,161,651	163,151
Total Expenditures	1,158,298	1,158,298	1,276,609	118,311
Excess Revenues (Expenditures)	\$ (59,991)	\$ (59,991)	\$ (1,062,057)	\$ (1,002,066)
Fund Balance - beginning of year	273,825	273,825	273,825	-
Fund Balance - end of year	\$ 213,834	\$ 213,834	\$ (788,232)	\$ (1,002,066)

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 presented above is prepared on the accrual basis of accounting, which is consistent with generally accepted accounting principles.

**Additional Elements Required by
*Government Auditing Standards***

DRAFT

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, 2020, 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 October 15, 2020.

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

October 15, 2020

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904-860-1040 – www.rmtcpa.com

Additional Elements Required by Auditor General

DRAFT

Robert M. Thaggard, Certified Public Accountant

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

October 15, 2020

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, 2020 and have issued my report thereon dated October 15, 2020. 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 October 15, 2020, 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, 2020, 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 Statutes, 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, 2020, 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, 2020. 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

HARBOUR WATERWAY SPECIAL DISTRICT

Tuesday, October 13, 2020

Motion to Disburse Funds:

CURRENT ASSETS			
8/31/2020	BB&T CHECKING ACCOUNT	BEGINNING BALANCE	\$ 760,486.13
	TAX DEPOSITS	September 1 - 30	-
TOTAL CHECKING ACCOUNT BALANCE			\$ 760,486.13
CLEARED DISBURSEMENTS			
9/8/2020	1518	Resurrection Episcopal Church	Meeting Place (September 8, 2020) (100.00)
9/8/2020	1516	Caroline Birtalan	Administrative Services (August 11) (150.00)
9/8/2020	Epay	Lewis Longman & Walker	Legal Services (August Billing) (1,468.00)
9/8/2020	Debit	Stanley Pipes	District Manager 33.45 hrs. - (August billing) - Govt (2,122.22)
9/8/2020	Debit	Stanley Pipes	District Manager 33.45 hrs. - (August billing) (746.89)
9/14/2020	Debit	IRS Tax Payment	Payment for August tax withholdings (1,215.18)
9/8/2020	1519	Florida Association of Special Districts	Annual Dues (750.00)
9/8/2020	1520	Florida Municipal Insurance Trust	General Liability, Auto, Property, & Workers Compensation (8,475.00)
9/25/2020	1521	Houston White	2019 Dredging Project" - dock repairs (3,500.00)
9/28/2020	1523	Top Dog Marine	Mark Humphreys - 3 boat marina piling repair (1,000.00)
9/8/2020	1517	Marshall Whaley	2019 Dredging Project" - dock repairs (3,075.00)
			-
DISBURSEMENTS - SubTotal			(22,602.29)
9/30/2020	BB&T CHECKING ACCOUNT	TOTAL ENDING BALANCE	\$ 737,883.84
OUTSTANDING DISBURSEMENTS / DEPOSITS			
9/30/2020	RIM License Agreement	50% of Hydro-seeding project	24,393.60
SubTotal			24,393.60
REQUESTED DISBURSEMENTS			
10/13/2020		Resurrection Episcopal Church	Meeting Place (October 13, 2020) (100.00)
10/13/2020		Caroline Birtalan	Administrative Services (September 8) (150.00)
10/13/2020	Epay	Lewis Longman & Walker	Legal Services (September Billing) (1,075.00)
10/13/2020	Debit	Stanley Pipes	District Manager 38.75 hrs. - (September billing) (3,875.00)
10/13/2020		Dock and Boat Lift Work	2019 Dredging Project" - remaining balance on \$53,009 (8,729.00)
10/13/2020		Top Dog Marine	Day Marker Pilings & marina floating dock piling (2,250.00)
10/13/2020		BobCat of Jacksonville	Purchase BobCat T66 track loader and attachments up to: (75,000.00)
10/13/2020		Duval Fence Company	400+ ft of Fencing & Gates - by powerlines & COJ Property (7,500.00)
			-
SubTotal			(98,679.00)
TOTAL AVAILABLE FUNDS AFTER REQUESTED DISBURSEMENTS			\$ 663,598.44
PLANNED PROJECT EXPENSES			
Ongoing	Parcel Owners	Marsh parcels adjacent to HWSD canals	(25,000.00)
Ongoing	Equipment Rentals / Labor/ Supplies	COJ Park Development: up to	(24,000.00)
Ongoing	HWSD Spoil Site Development	Install power lines; etc.	(15,000.00)
Ongoing	David Touring and Connie Webel	Conduct DMMA analysis and permitting	(25,000.00)
Ongoing	2018 Tax Rebate Project	Outstanding Rebate Checks	(4,500.00)
12/31/2020	2019 Tax Rebate Project	Rebate Checks	(102,500.00)
TOTAL PLANNED PROJECTS:			\$ (196,000.00)
FORECAST NET REVENUE FROM 2020 ASSESSMENT			\$ 205,000.00
2020 Assessment Collected			
BUDGETED OPERATING EXPENSES - October, 2020 thru June, 2021			(48,369.97)
2018 REVENUE NOTE - DEBT SERVICE			
5/1/2021	Interest Payment	Series 2018 Revenue Note	(16,906.25)
5/1/2021	Principal Payment	Series 2018 Revenue Note	(40,052.65)
OPERATING EXPENSES & DEBT SERVICE EXPENSE:			\$ (105,328.87)
TOTAL HWSD PROJECTED DISPOSABLE FUNDS			
ISLE OF PALMS		License Payment #1 - Due December 31, 2020	197,916.67
REED ISLAND MANAGEMENT		License Payment #2 - Due May 1, 2021	281,250.00
TOTAL PROJECTED AVAILABLE FUNDS as of June 30, 2021			\$ 1,046,436.24