

**COQUINA WATER CONTROL DISTRICT  
OKEECHOBEE COUNTY, FLORIDA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2015**

**COQUINA WATER CONTROL DISTRICT  
OKEECHOBEE COUNTY, FLORIDA**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
Coquina Water Control District  
Okeechobee County, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Coquina Water Control District, Okeechobee County, Florida (the "District") as of and for the fiscal year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of September 30, 2015, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

### **Report on Other Legal and Regulatory Requirements**

We have also issued our report dated March 8, 2017, on our consideration of the District's compliance with the requirements of Section 218.415, Florida Statutes, as required by Rule 10.556(10) of the Auditor General of the State of Florida. The purpose of that report is to provide an opinion based on our examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.



March 8, 2017

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Coquina Water Control District, Okeechobee County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2015. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

### FINANCIAL HIGHLIGHTS

- The assets plus deferred outflows of resources of the District exceeded its liabilities plus deferred inflows of resources at the close of the fiscal year ended September 30, 2015 resulting in a net position balance of \$6,480,851.
- The District's total net position increased by \$525,818 in comparison with the prior year. The key components of the District's net position and change in net position are reflected in the table in the following section.
- At September 30, 2015, the District's governmental fund reported ending fund balance of \$1,005,968, an increase of \$337,157 in comparison with the prior year. Of the total fund balance, \$11,751 is non-spendable for inventory and the remainder is unassigned fund balance which is available for spending at the District's discretion.

### OVERVIEW OF FINANCIAL STATEMENTS

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

#### Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual amount being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

The government-wide financial statements include all governmental activities that are principally supported by special assessment revenues. The District does not have any business-type activities. The governmental activities of the District include the general government (management) and physical environment functions.

#### Fund Financial Statements

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

## OVERVIEW OF FINANCIAL STATEMENTS (Continued)

### Governmental Funds

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

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

The District maintains one governmental fund for external reporting. Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

### Notes to the Financial Statements

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities at the close of the most recent fiscal year.

Key components of the District's net position are reflected in the following table:

	NET POSITION	
	SEPTEMBER 30,	
	2015	2014
Assets, excluding capital assets	\$ 1,321,827	\$ 691,111
Capital assets, net of depreciation	5,203,904	5,325,775
Total assets	<u>6,525,731</u>	<u>6,016,886</u>
Liabilities, excluding long-term liabilities	40,285	57,819
Long-term liabilities	4,595	4,034
Total liabilities	<u>44,880</u>	<u>61,853</u>
Net position		
Net investment in capital assets	5,203,904	5,291,745
Unrestricted	1,276,947	663,288
Total net position	<u>\$ 6,480,851</u>	<u>\$ 5,955,033</u>

The District's net position reflects its investment in capital assets (e.g. land, land improvements, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the District's other obligations.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The District's net position increased during the most recent fiscal year. The majority of the increase represents the extent to which ongoing program revenues exceeded the cost of operations and depreciation expense.

Key elements of the change in net position are reflected in the following table:

	CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED SEPTEMBER 30,	
	2015	2014
Revenues:		
Program revenues		
Charges for services	\$ 1,216,880	\$ 754,224
General revenues	1,876	2,772
Total revenues	<u>1,218,756</u>	<u>756,996</u>
Expenses:		
General government	105,345	89,638
Physical environment	587,143	570,652
Interest	450	1,450
Total expenses	<u>692,938</u>	<u>661,740</u>
Change in net position	525,818	95,256
Net position - beginning	5,955,033	5,859,777
Net position - ending	<u>\$ 6,480,851</u>	<u>\$ 5,955,033</u>

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2015 was \$692,938. The costs of the District's activities were primarily funded by program revenues. Program revenues were comprised primarily of assessments for both the 2015 and 2014 fiscal years; however, the District also received funds from investment earnings which are included in general revenues. Total revenues increased primarily due to delinquent assessments being recognized in the current fiscal year. The majority of the increase in expenses relates to surveying expenditures incurred during the current fiscal year.

## GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors.

The variance between budgeted and actual general fund revenues for the current fiscal year is primarily the result of the District receiving unanticipated delinquent assessments during the current fiscal year. Actual general fund expenditures for the fiscal year ended September 30, 2015 were less than appropriations due primarily to anticipated costs which were not incurred in the current fiscal year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At September 30, 2015, the District had \$7,305,683 invested in land, land improvements, infrastructure, buildings and equipment. In the government-wide financial statements, depreciation of \$2,101,779 has been taken, which resulted in a net book value of \$5,203,904. More detailed information about the District's capital assets is presented in the notes of the financial statements.

### Capital Debt

During the fiscal year ended September 30, 2015, the District paid the remaining balance owed on its note. More detailed information about the District's debt is presented in the notes of the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET RATES

It is anticipated that the general operations of the District will remain fairly constant during fiscal year 2016.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, landowners, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Coquina Water Control District's financial management at 17429 NW 242<sup>nd</sup> Street, Okeechobee, FL 34972.

**COQUINA WATER CONTROL DISTRICT  
OKEECHOBEE COUNTY, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015**

	Governmental Activities
<b>ASSETS</b>	
Cash	\$ 996,319
Inventory	11,751
Assessments receivable	313,757
Capital assets:	
Nondepreciable assets:	
Land and improvements	2,608,106
Depreciable assets:	
Buildings and improvements	153,914
Equipment	69,812
Infrastructure	2,372,072
Total assets	6,525,731
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	40,285
Non-current liabilities:	
Compensated Absences	4,595
Total liabilities	44,880
<b>NET POSITION</b>	
Net investment in capital assets	5,203,904
Unrestricted	1,276,947
Total net position	\$ 6,480,851

See notes to the financial statements

**COQUINA WATER CONTROL DISTRICT  
OKEECHOBEE COUNTY, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>  <u>Governmental Activities</u>
Primary government:			
Governmental activities:			
General government	\$ 105,345	\$ 105,345	\$ -
Physical environment	587,143	1,111,535	524,392
Interest on long-term debt	450	-	(450)
Total governmental activities	692,938	1,216,880	523,942
General revenues:			
Unrestricted investment earnings			1,876
Total general revenues			1,876
Change in net position			525,818
Net position - beginning			5,955,033
Net position - ending			\$ 6,480,851

See notes to the financial statements

**COQUINA WATER CONTROL DISTRICT  
OKEECHOBEE COUNTY, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2015**

	General	Total Governmental Funds
<b>ASSETS</b>		
Cash	\$ 996,319	\$ 996,319
Assessments receivable	313,757	313,757
Inventory	11,751	11,751
Total assets	\$ 1,321,827	\$ 1,321,827
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 40,285	\$ 40,285
Total liabilities	40,285	40,285
Deferred inflows of resources:		
Unavailable revenue - special assessments	275,574	275,574
Total deferred inflows of resources	275,574	275,574
Fund balances:		
Non-spendable:		
Inventory	11,751	11,751
Unassigned	994,217	994,217
Total fund balance	1,005,968	1,005,968
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,321,827	\$ 1,321,827

See notes to the financial statements

**COQUINA WATER CONTROL DISTRICT  
OKEECHOBEE COUNTY, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015**

Fund balance - governmental funds		\$ 1,005,968
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The statement of net position includes those capital assets, net of accumulated depreciation, in the net position of the government as a whole.</p>		
Cost of capital asset	7,305,683	
Accumulated depreciation	<u>(2,101,779)</u>	5,203,904
<p>Assets recorded in the governmental fund financial statements that are not available to pay for current-period expenditures are unavailable revenue in the governmental funds.</p>		
		275,574
<p>Liabilities are not due and payable from current available resources and are not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.</p>		
Compensated absences		<u>(4,595)</u>
Net position of governmental activities		<u><u>\$ 6,480,851</u></u>

See notes to the financial statements

**COQUINA WATER CONTROL DISTRICT  
OKEECHOBEE COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	General	Total Governmental Funds
<b>REVENUES</b>		
Maintenance assessments	\$ 941,306	\$ 941,306
Interest income	1,876	1,876
Total revenues	943,182	943,182
<b>EXPENDITURES</b>		
Current:		
General government	105,345	105,345
Physical environment	355,876	355,876
Debt service		
Principal	34,030	34,030
Interest	1,491	1,491
Capital outlay	109,283	109,283
Total expenditures	606,025	606,025
Excess (deficiency) of revenues over (under) expenditures	337,157	337,157
Fund balance - beginning	668,811	668,811
Fund balance - ending	\$ 1,005,968	\$ 1,005,968

See notes to the financial statements

**COQUINA WATER CONTROL DISTRICT  
OKEECHOBEE COUNTY, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

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

Net change in fund balance - total governmental funds	\$ 337,157
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental fund financial statements.	275,574
Governmental funds report capital outlays as expenditures; however, the cost of capital assets is eliminated in the statement of activities and capitalized in the statement of net position.	94,378
Depreciation on capital assets is not recognized in the governmental fund statement but is reported as an expense in the statement of activities.	(216,249)
Repayment of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities.	34,030
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in compensated absences	(113)
Change in accrued interest	1,041
Change in net position of governmental activities	<u>\$ 525,818</u>

See notes to the financial statements

**COQUINA WATER CONTROL DISTRICT  
OKEECHOBEE COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY**

Coquina Water Control District ("District") was created on June 23, 1971 by Order No. 741 of the Circuit Court of the 19<sup>th</sup> Judicial Court pursuant to Chapter 298 of the Florida Statutes. The District was established for the purposes of financing and managing the planning, acquisition, construction, maintenance, and operation or funding of a portion of the public capital infrastructure necessary for water management.

The District is governed by the Board of Supervisors ("Board"), which is composed of three members. The Supervisors are elected by the landowners within the District on a one acre one vote basis. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 298 of the Florida Statutes.

The Board has the responsibility for:

1. Assessing and levying assessments.
2. Approving budgets.
3. Exercising control over facilities and properties.
4. Controlling the use of funds generated by the District.
5. Approving the hiring and firing of key personnel.
6. Financing improvements.

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District is considered to be financially accountable and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Government-Wide and Fund Financial Statements**

The basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment. (Operating-type special assessments for maintenance and debt service are treated as charges for services.) and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not included among program revenues are reported instead as *general revenues*.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Assessments are recognized as revenues in the year for which they are levied. Grants and similar items are to be recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

### **Assessments**

Assessments are non-ad valorem assessments on all platted lots within the District. Assessments are levied each November 1 on property as of the previous January 1 to pay for the operations and maintenance of the District. The fiscal year for which annual assessments are levied begins on October 1 with discounts available for payments through February 28 and become delinquent on April 1.

Assessments and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

The District reports the following major governmental fund:

### **General Fund**

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first for qualifying expenditures, then unrestricted resources as they are needed.

### **Assets, Liabilities and Net Position or Equity**

#### **Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand and demand deposits.

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The District may invest any surplus public funds in the following:

- a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act;
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c) Interest bearing time deposits or savings accounts in qualified public depositories;
- d) Direct obligations of the U.S. Treasury.

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due. In addition, surplus funds may be deposited into certificates of deposit which are insured.

The District records all interest revenue related to investment activities in the respective funds and reports investments at fair value.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Assets, Liabilities and Net Position or Equity (Continued)

#### Inventories and Prepaid Items

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., water control structures, easements and similar items) are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, infrastructure and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Machinery and equipment	4 -10
Infrastructure	25 - 50

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

#### Compensated Absences

It is the District's policy to permit employees to accumulate, within certain limits, earned but unused vacation and sick pay benefits, which will be paid to employees upon separation from the District's service. The District uses the vesting method to accrue sick leave for employees who are eligible to receive payments upon separation, as well as those expected to become eligible in the future. A liability for accrued compensated absences of the governmental activities is not reported in the balance sheet of the governmental funds and, accordingly, represents a reconciling item between the fund and government-wide presentations.

Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund only if they have matured. Compensated absence is liquidated through the general fund.

#### Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Assets, Liabilities and Net Position or Equity (Continued)**

#### Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future reporting period(s). For example, the District would record deferred outflows of resources on the statement of net position related to debit amounts resulting from current and advance refundings resulting in the defeasance of debt (i.e. when there are differences between the reacquisition price and the net carrying amount of the old debt).

Deferred inflows of resources represent an acquisition of net position that applies to future reporting period(s). For example, when an asset is recorded in the governmental fund financial statements, but the revenue is unavailable, the District reports a deferred inflow of resources on the balance sheet until such times as the revenue becomes available.

#### Fund Equity/Net Position

In the fund financial statements, governmental funds report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change.

Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Supervisors. Commitments may be changed or lifted only by the Board of Supervisors taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned fund balance – Includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. The Board may also assign fund balance as it does when appropriating fund balance to cover differences in estimated revenue and appropriations in the subsequent year's appropriated budget. Assignments are generally temporary and normally the same formal action need not be taken to remove the assignment.

The District first uses committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position in the government-wide financial statements are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net position related to infrastructure and property, plant and equipment. Restricted net position represents the assets restricted by the District's Note covenants or other contractual restrictions. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

### **Other Disclosures**

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### NOTE 3 – BUDGETARY INFORMATION

The District is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

- a) Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- b) Public hearings are conducted to obtain comments.
- c) Prior to October 1, the budget is legally adopted by the District Board.
- d) All budget changes must be approved by the District Board.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

### NOTE 4 – DEPOSITS

#### Deposits

The District's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

### NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land and improvements	\$ 2,608,106	\$ -	\$ -	\$ 2,608,106
Total capital assets, not being depreciated	2,608,106	-	-	2,608,106
Capital assets, being depreciated				
Buildings and improvements	366,111	-	-	366,111
Equipment	551,259	-	(6,216)	545,043
Infrastructure	3,692,045	94,378	-	3,786,423
Total capital assets, being depreciated	4,609,415	94,378	(6,216)	4,697,577
Less accumulated depreciation for:				
Buildings and improvements	(207,031)	(5,166)	-	(212,197)
Equipment	(448,454)	(32,993)	6,216	(475,231)
Infrastructure	(1,236,261)	(178,090)	-	(1,414,351)
Total accumulated depreciation	(1,891,746)	(216,249)	6,216	(2,101,779)
Total capital assets, being depreciated, net	2,717,669	(121,871)	-	2,595,798
Governmental activities capital assets, net	\$ 5,325,775	\$ (121,871)	\$ -	\$ 5,203,904

Depreciation expense was charged to physical environment for the fiscal year ended September 30, 2015.

## NOTE 6 – LONG-TERM LIABILITIES

On December 1, 2010, the District entered into a note payable with John Deere for \$165,343 in order to finance the acquisition of a motor grader. The Note bears interest at 3.641% and is secured by the acquired equipment. Interest will accrue on this Note and shall be payable on December 9 of each year, commencing December 9, 2010. Principal will be payable in five annual installments on December 9 of each year, commencing December 9, 2010.

The District paid off the remainder of the note during the current fiscal year.

Changes in long-term liability activity for the fiscal year ended September 30, 2015 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Note Payable	\$ 34,030	\$ -	\$ 34,030	\$ -	\$ -
Compensated Absences	4,482	5,384	5,271	4,595	-
Total	<u>\$ 38,512</u>	<u>\$ 5,384</u>	<u>\$ 39,301</u>	<u>\$ 4,595</u>	<u>\$ -</u>

## NOTE 7 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance from independent third parties. There have been no claims from these risks that exceeded commercial insurance coverage over the past three years.

**COQUINA WATER CONTROL DISTRICT  
OKEECHOBEE COUNTY, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original & Final		
<b>REVENUES</b>			
Maintenance assessments	\$ 777,685	\$ 941,306	\$ 163,621
Interest income	5,000	1,876	(3,124)
Total revenues	782,685	943,182	160,497
<b>EXPENDITURES</b>			
Current:			
General government	82,250	105,345	(23,095)
Physical environment	542,435	355,876	186,559
Debt service	-	35,521	(35,521)
Capital outlay	225,000	109,283	115,717
Total expenditures	849,685	606,025	243,660
Excess (deficiency) of revenues over (under) expenditures	(67,000)	337,157	404,157
<b>OTHER FINANCING SOURCES</b>			
Use of fund balance	67,000	-	(67,000)
Total other financing sources	67,000	-	(67,000)
Net change in fund balances	\$ -	337,157	\$ 337,157
Fund balances - beginning		668,811	
Fund balances - ending		\$ 1,005,968	

See notes to required supplementary information

**COQUINA WATER CONTROL DISTRICT  
OKEECHOBEE COUNTY, FLORIDA  
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

The District is required to establish a budgetary system and an approved Annual Budget for the general fund. The District's budgeting process is based on estimates of cash receipts and cash expenditures which are approved by the Board. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors.

The variance between budgeted and actual general fund revenues for the current fiscal year is primarily the result of the District receiving unanticipated delinquent assessments during the current fiscal year. Actual general fund expenditures for the fiscal year ended September 30, 2015 were less than appropriations due primarily to anticipated costs which were not incurred in the current fiscal year.



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

To the Board of Supervisors  
Coquina Water Control District  
Okeechobee County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Coquina Water Control District, Okeechobee County, Florida ("District") as of and for the fiscal year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated March 8, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying report to management we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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. We consider deficiencies 2015-01 and 2015-02 described in the report to management to be significant deficiencies.

**Compliance and Other Matters**

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

We noted certain matter involving the internal control over financial reporting and compliance that we have reported to management of the District in a separate letter dated March 8, 2017.

The District's responses to the findings identified in our audit are described in the accompanying Management Letter. We did not audit the District's response and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Bhav & Associates*

March 8, 2017



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE  
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY  
RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Board of Supervisors  
Coquina Water Control District  
Okeechobee County, Florida

We have examined Coquina Water Control District, Okeechobee County, Florida's ("District") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2015. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2015.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, management, and the Board of Supervisors of Coquina Water Control District, Okeechobee County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Grau & Associates*

March 8, 2017



**MANAGEMENT LETTER PURSUANT TO THE RULES OF  
THE AUDITOR GENERAL FOR THE STATE OF FLORIDA**

To the Board of Supervisors  
Coquina Water Control District  
Okeechobee County, Florida

**Report on the Financial Statements**

We have audited the accompanying basic financial statements of Coquina Water Control District, Okeechobee County, Florida ("District") as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated March 8, 2017.

**Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Florida Auditor General.

**Other Reports and Schedule**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 8, 2017, should be considered in conjunction with this management letter.

**Purpose of this Letter**

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the financial statements of the District, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.**
- II. Status of prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, as applicable, management, and the Board of Supervisors of Coquina Water Control District, Okeechobee County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Coquina Water Control District, Okeechobee County, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements, and the courtesies extended to us.

*Grau & Associates*

March 8, 2017

## REPORT TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

#### *Significant Deficiencies*

##### **2015-01: Disbursement Procedures**

Observation: The District was unable to provide invoice support for disbursements. In addition, it was noted that certain invoices were not approved prior to payment. Finally, the District has not adopted a formal, written procurement policy.

Recommendation: The District should maintain adequate invoice support for all disbursements. Also, the District should ensure that all invoices are approved prior to payment. Finally, the District should adopt a formal, written procurement policy.

Management Response: Management is in agreement with this recommendation and is in the process of drafting a formal, written procurement policy. During the year ended September 30, 2016, the District began using an accounting service that has improved the disbursement procedures by requiring adequate support for disbursements and approval prior to payment.

##### **2015-02 Payroll**

Observation: While performing procedures, the following matters were noted:

- I. Time cards were not approved
- II. The District was unable to provide authorized documentation for employee wage rate and employment status of select employees
- III. There was an overpayment of wages above hours worked to a select employee
- IV. No overtime was being paid to certain hourly workers
- V. It appears payroll taxes were not withheld from paychecks for certain pay periods during the year

Recommendation: Time cards should be approved by a supervisor. The District should also document and maintain documentation of authorized wage rates and employment statuses in employee personnel files. Payroll should be reviewed by the Superintendent and a Board supervisor to ensure that employees are being paid for the actual hours worked. Finally, employees should be paid overtime based on their employee status to ensure the District is compliant with Federal regulations.

Management Response: Management is in agreement with this finding and is in the process of implementing the recommended procedures. The Superintendent and a Board Supervisor now approve all time cards. In addition, the District began using an accounting service during the year ended September 30, 2016 to help ensure that payroll is calculated correctly based on authorized wage rates and actual hours worked, including overtime.

#### *Other Findings*

##### **2015-03 Bank Reconciliation**

Observation: While performing procedures, it was noted that the May bank reconciliation was not correctly done. As a result the balance per the bank reconciliation did not agree to the general ledger.

Recommendation: The District should perform monthly bank reconciliations and ensure the reconciliations actually reconcile to the general ledger accordingly.

Management Response: Management is in agreement with this recommendation. During the year ended September 30, 2016, the District began using an accounting service to perform bank reconciliations. Management understands the need to review and approve of all bank reconciliations and ensure that they are in agreement with the general ledger.

## REPORT TO MANAGEMENT (Continued)

### **2015-04 Statute Compliance – Audit Filing Deadline:**

Observation: Florida Statutes require governmental entities to file an annual financial report and a copy of the financial audit with the State within 9 months of the end of the fiscal year. Both the annual financial report and the annual audit report for the fiscal year ended September 30, 2015 were not filed by June 30, 2016.

Recommendation: We recommend that the District take the necessary steps to comply with the Florida Statutes and file both reports within the statutory time frames.

Management Response: Management is in agreement with this finding. The District expects to file the annual financial report and the annual audit report for the fiscal year ended September 30, 2016 by the June 30, 2017 due date.

## **II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS**

None

## **III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, except as noted above.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2014.

2. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2015, except as noted above.

3. Noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2015, except as noted above.

4. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.
5. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2015 financial audit report.
6. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
7. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2015. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.