

**COQUINA WATER CONTROL DISTRICT
OKEECHOBEE COUNTY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2018**

**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, 2018, 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, 2018, 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 June 25, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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 June 25, 2019, 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.



June 25, 2019

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, 2018. 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 of the District exceeded its liabilities at the close of the fiscal year ended September 30, 2018 resulting in a net position balance of \$6,404,987.
- The District's total net position decreased by (\$82,145) 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 government-wide financial analysis section.
- At September 30, 2018, the District's governmental fund reported ending fund balance of \$1,039,740, an increase of \$16,386 in comparison with the prior year. A portion of fund balance is non-spendable for inventory and prepaid items 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,	
	2018	2017
Assets, excluding capital assets	\$ 1,065,724	\$ 1,046,040
Capital assets, net of depreciation	5,636,014	5,459,952
Total assets	6,701,738	6,505,992
Liabilities, excluding long-term liabilities	28,595	12,323
Long-term liabilities	268,156	6,537
Total liabilities	296,751	18,860
Net position		
Net investment in capital assets	5,376,883	5,459,952
Unrestricted	1,028,104	1,027,180
Total net position	\$ 6,404,987	\$ 6,487,132

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 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 decreased during the most recent fiscal year. The majority of the decrease represents the extent to which the cost of operations and depreciation expense exceeded ongoing program revenues.

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

	2018	2017
Revenues:		
Program revenues		
Charges for services	\$ 776,796	\$ 777,460
General revenues	5,730	17,082
Total revenues	<u>782,526</u>	<u>794,542</u>
Expenses:		
General government	113,587	140,186
Physical environment	746,371	666,868
Interest	4,713	1,207
Total expenses	<u>864,671</u>	<u>808,261</u>
Change in net position	(82,145)	(13,719)
Net position - beginning	6,487,132	6,500,851
Net position - ending	<u>\$ 6,404,987</u>	<u>\$ 6,487,132</u>

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2018 was \$864,671. The costs of the District's activities were primarily funded by program revenues. Program revenues were comprised primarily of assessments for both the 2018 and 2017 fiscal years. Total revenues decreased primarily due to a decrease in the assessment levy. The majority of the increase in expenses relates to higher payroll costs due to raises and having more employees in 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 general fund budget for the fiscal year ended September 30, 2018 was amended to increase other financing sources and appropriations by \$259,131.

Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2018.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2018, the District had \$8,397,916 invested in capital assets for its governmental activities. In the government-wide financial statements, depreciation of \$2,761,902 has been taken, which resulted in a net book value of \$5,636,014. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Capital Debt

At September 30, 2018, the District had \$259,131 in loans outstanding for its governmental activities. During the current fiscal year, the District executed financing leases to fund equipment acquisitions. 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 2019.

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 242nd Street, Okeechobee, FL 34972.

**COQUINA WATER CONTROL DISTRICT
OKEECHOBEE COUNTY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018**

	Governmental Activities
ASSETS	
Cash	\$ 1,000,060
Inventory	25,767
Assessments receivable	4,612
Prepays	35,285
Capital assets:	
Nondepreciable assets:	
Land and improvements	2,608,106
Depreciable assets:	
Buildings and improvements	138,416
Equipment	685,463
Infrastructure	2,204,029
Total assets	6,701,738
 LIABILITIES	
Accounts payable and accrued expenses	23,882
Accrued interest payable	4,713
Non-current liabilities:	
Due within one year	59,668
Due in more than one year	208,488
Total liabilities	296,751
 NET POSITION	
Net investment in capital assets	5,376,883
Unrestricted	1,028,104
Total net position	\$ 6,404,987

See notes to the financial statements

**COQUINA WATER CONTROL DISTRICT
OKEECHOBEE COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Primary government:			<u>Governmental Activities</u>
Governmental activities:			
General government	\$ 113,587	\$ 113,587	\$ -
Physical environment	746,371	663,209	(83,162)
Interest on long-term debt	4,713	-	(4,713)
Total governmental activities	864,671	776,796	(87,875)
General revenues:			
Other income			921
Unrestricted investment earnings			4,809
Total general revenues			5,730
Change in net position			(82,145)
Net position - beginning			6,487,132
Net position - ending			\$ 6,404,987

See notes to the financial statements

**COQUINA WATER CONTROL DISTRICT
OKEECHOBEE COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

	General	Total Governmental Funds
ASSETS		
Cash and equivalents	\$ 1,000,060	\$ 1,000,060
Assessments receivable	4,612	4,612
Inventory	25,767	25,767
Prepays	35,285	35,285
Total assets	\$ 1,065,724	\$ 1,065,724
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued expenses	\$ 23,882	\$ 23,882
Total liabilities	23,882	23,882
 Deferred inflows of resources:		
Unavailable revenue - special assessments	2,102	2,102
Total deferred inflows of resources	2,102	2,102
 Fund balances:		
Non-spendable:		
Prepays	35,285	35,285
Inventory	25,767	25,767
Unassigned	978,688	978,688
Total fund balance	1,039,740	1,039,740
 Total liabilities, deferred inflows of resources, and fund balances		
	\$ 1,065,724	\$ 1,065,724

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, 2018**

Fund balance - governmental funds		\$ 1,039,740
<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	8,397,916	
Accumulated depreciation	<u>(2,761,902)</u>	5,636,014
<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>		
		2,102
<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>		
Accrued interest payable	(4,713)	
Capital lease payable	(259,131)	
Compensated absences	<u>(9,025)</u>	<u>(272,869)</u>
Net position of governmental activities		<u>\$ 6,404,987</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, 2018**

	<u>General</u>	<u>Total Governmental Funds</u>
REVENUES		
Maintenance assessments	\$ 785,057	\$ 785,057
Interest income	4,809	4,809
Other income	921	921
Total revenues	<u>790,787</u>	<u>790,787</u>
EXPENDITURES		
Current:		
General government	111,099	111,099
Physical environment	468,073	468,073
Capital outlay	467,360	467,360
Total expenditures	<u>1,046,532</u>	<u>1,046,532</u>
Excess (deficiency) of revenues over (under) expenditures	(255,745)	(255,745)
OTHER FINANCING SOURCES		
Lease proceeds	259,131	259,131
Sale of capital assets	13,000	13,000
Total other financing sources	<u>272,131</u>	<u>272,131</u>
Net change in fund balance	16,386	16,386
Fund balance - beginning	<u>1,023,354</u>	<u>1,023,354</u>
Fund balance - ending	<u>\$ 1,039,740</u>	<u>\$ 1,039,740</u>

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, 2018**

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

Net change in fund balance - total governmental funds	\$	16,386
Certain revenues were unavailable for the governmental fund financial statements in the prior fiscal year. In the current fiscal year, these revenues were recorded in the governmental fund financial statements.		(10,363)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental fund financial statements.		2,102
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.		467,360
Depreciation on capital assets is not recognized in the governmental fund statement but is reported as an expense in the statement of activities.		(270,003)
Proceeds from capital leases are reported as other financing source on the fund financial statements however, the amount is recorded as long term debt on the government wide financial statements.		(259,131)
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		(2,488)
Loss on disposal of assets		(21,295)
Change in accrued interest		(4,713)
Change in net position of governmental activities	\$	<u>(82,145)</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 19th 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. Investments are measured at amortized cost or reported at fair value as required by generally accepted accounting principles.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

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>
Buildings/improvements	20 - 40
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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

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.

The District can establish limitations on the use of fund balance as follows:

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, including the certificates of deposit, 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, 2018 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	813,528	441,372	26,075	1,228,825
Infrastructure	4,168,886	25,988	-	4,194,874
Total capital assets, being depreciated	5,348,525	467,360	26,075	5,789,810
Less accumulated depreciation for:				
Buildings and improvements	222,529	5,166	-	227,695
Equipment	485,237	62,905	4,780	543,362
Infrastructure	1,788,913	201,932	-	1,990,845
Total accumulated depreciation	2,496,679	270,003	4,780	2,761,902
Total capital assets, being depreciated, net	2,851,846	197,357	21,295	3,027,908
Governmental activities capital assets, net	\$ 5,459,952	\$ 197,357	\$ 21,295	\$ 5,636,014

Depreciation expense was charged to physical environment for the fiscal year ended September 30, 2018.

NOTE 6 – LONG-TERM LIABILITIES

On April 25, 2018 and May 9, 2018, the District entered into two note payables with John Deere totaling \$259,131 in order to finance the acquisition of a utility cab tractor and a tractor mower. One Note bears interest at 3.5% and the other note bears interest at 6.35%. Both notes are secured by the acquired equipment. Interest is to be paid semi-annually on each October and April 2018 for the cab tractor and November and May for tractor mower. Principal will also be payable in eight semi-annual installments commencing October 2018 for cab mower and November 2018 for the tractor mower.

Changes in long-term liability activity for the fiscal year ended September 30, 2018 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Capital lease	\$ -	\$ 259,131	\$ -	\$ 259,131	\$ 59,668
Compensated Absences	6,537	10,960	8,472	9,025	-
Total	\$ 6,537	\$ 270,091	\$ 8,472	\$ 268,156	\$ 59,668

NOTE 6 – LONG-TERM LIABILITIES (Continued)

At September 30, 2018, the scheduled debt service requirements on the long-term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2019	\$ 59,668	\$ 13,345	\$ 73,013
2020	62,955	10,058	73,013
2021	66,435	6,578	73,013
2022	70,073	2,939	\$ 73,012
Total	<u>\$ 259,131</u>	<u>\$ 32,920</u>	<u>\$ 292,051</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 were no settled claims during the past three years except for the disclosed matters in Note 8 – Litigation and Claims.

NOTE 8 – LITIGATION AND CLAIMS

2016 Election

During the prior fiscal year, multiple property owners filed a lawsuit against the District alleging that the District failed to comply with Florida statutes in conducting its annual election of Board members for 2016. The District is being represented by its insurance provider. As of the report date, a settlement agreement was executed which requires the District to pay \$3,500 of the defendants' legal fees which exceed the insurance coverage.

Landowner – Entrance Installation

During the current fiscal year, the District was served a claim by a landowner. As of the report date, the outcome cannot be determined and, therefore, no amounts related to this matter have been reflected in the financial statements.

Conflict Resolution Proceedings regarding Rescinding of Interlocal Agreement

Subsequent to fiscal year end, the District approved a Resolution pursuing conflict resolution proceedings with Okeechobee County and Okeechobee County Sheriff's Department regarding the District rescinding the interlocal agreement which allows the Sheriff's Department to control and patrol traffic in the roads within the District. As of the report date, the attempts by the District to pursue conflict resolution are ongoing and no litigation has been filed.

**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, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Maintenance assessments	\$ 684,000	\$ 684,000	\$ 785,057	\$ 101,057
Interest income	1,500	1,500	4,809	3,309
Debt assessments	-	-	-	-
Other income	-	-	921	921
Total revenues	<u>685,500</u>	<u>685,500</u>	<u>790,787</u>	<u>105,287</u>
EXPENDITURES				
Current:				
General government	175,000	210,000	111,099	98,901
Physical environment	426,300	391,300	468,073	(76,773)
Capital outlay	210,000	469,131	467,360	1,771
Total expenditures	<u>811,300</u>	<u>1,070,431</u>	<u>1,046,532</u>	<u>23,899</u>
Excess (deficiency) of revenues over (under) expenditures	(125,800)	(384,931)	(255,745)	129,186
OTHER FINANCING SOURCES				
Use of fund balance	125,800	125,800	-	(125,800)
Capital lease	-	259,131	259,131	-
Sale of capital assets	-	-	13,000	13,000
Total other financing sources	<u>125,800</u>	<u>384,931</u>	<u>272,131</u>	<u>(112,800)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	16,386	<u>\$ 16,386</u>
Fund balances - beginning			<u>1,023,354</u>	
Fund balances - ending			<u>\$ 1,039,740</u>	

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, 2018**

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 general fund budget for the fiscal year ended September 30, 2018 was amended to increase sources of funds and appropriations by \$259,131.

Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2018.



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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated June 25, 2019.

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.

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.

Our 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control (2018-01 and 2018-02), described in the accompanying management letter that we consider 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*.

District's Response to Finding

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 them.

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.



June 25, 2019



**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, 2018. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced in Section 218.415, Florida Statutes. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the 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, 2018.

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

June 25, 2019



**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, 2018, and have issued our report thereon dated June 25, 2019.

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 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*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 25, 2019, 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

June 25, 2019

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Significant Deficiencies

2015-01, 2016-01, 2017-01, 2018-01: Disbursement Procedures

Observation: The District has not adopted a formal, written procurement policy.

Recommendation: The District should adopt a formal, written procurement policy.

Management Response: Management is in agreement with this recommendation and has adopted a formal, written procurement policy on May 10, 2019.

2018-02: IC Payroll Testing

Observation: During our internal control testing of payroll, we were unable to review support for authorized wage rates nor employee classifications.

Recommendation: The District should maintain documentation for authorized wage rates and employee classifications in the personnel records.

Management Response: Management is in agreement with this finding. The District has drafted a salary authorization form to be used for each employee showing authorized wage rates and employee classifications. These forms will be in effect for FY 2019-20.

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

2017-01, 2016-01, 2015-01: Disbursement Procedures

Current Status: Matter not completely resolved. Finding will be repeated, see 2018-01.

2017-02; 2016-04: Statute Compliance – Budget

Current Status: Matter has been resolved.

REPORT TO MANAGEMENT (Continued)

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.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2017, except as noted above.

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, 2018, 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, 2018.

4. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.

5. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.

6. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2018. 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.