

**HAMILTON COUNTY  
DEVELOPMENT AUTHORITY**

**FINANCIAL STATEMENTS**

**For the Year Ended September 30, 2018**



**HAMILTON COUNTY DEVELOPMENT AUTHORITY**

**AUTHORITY MEMBERS**

September 30, 2018

	<u>MEMBERS</u>	<u>Position</u>
District 1	Lowell Klepper	Member
District 2	R.B. Davis	Chairperson
District 3	Danny R. Daniels	Secretary/Treasurer
District 4	Mary L. Bullard	Vice-chairperson
District 5	Megan Carter	Member
AT LARGE	Nathaniel Combass	Member
	John Cloyd	Member
	Milton Hitson	Member



# HAMILTON COUNTY DEVELOPMENT AUTHORITY

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**INDEPENDENT AUDITOR'S REPORT**

Board Members of the Hamilton County Development Authority  
Hamilton County, Florida

**Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities and the major fund of the Hamilton County Development Authority, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority'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**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In my 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 Hamilton County Development Authority, as of September 30, 2018, and the respective changes in financial position for the 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 on pages 3–7 and 23–24 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated July 29, 2019, on my consideration of the Hamilton County Development Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hamilton County Development Authority's internal control over financial reporting and compliance.



Kenneth M. Daniels  
Certified Public Accountant  
July 29, 2019



**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**



# HAMILTON COUNTY DEVELOPMENT AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2018

Our discussion and analysis of the Hamilton County Development Authority's (the Authority), financial performance provides an overview of Authority's financial activities for the year ended September 30, 2018. Please read it in conjunction with the Authority's financial statements, which begin in page 8.

### FINANCIAL HIGHLIGHTS

During the year ending September 30, 2018, the Authority paid in excess of \$350,000, in promoting and improving business within Hamilton County, Florida.

The Authority has awarded grants, with certain criteria either completed or being completed, in an amount exceeding \$430,000, as of September 30, 2018.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances.

Fund financial statements start on page 10. For the governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Authority's operations in more detail than the government-wide statements by providing information about the Authority's most significant funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

### Reporting the Authority as a Whole

Our analysis of the Authority as a whole begins on page 4.

The Statement of Net Position and the Statement of Activities on pages 8 and 9 report information about the Authority as a whole and its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements also report the Authority's net position and changes in it. The Authority's net position—the difference between

assets and liabilities—is one measure of the Authority’s financial health. Over time, increases or decreases in the Authority’s net position are an indicator of whether its financial health is improving or deteriorating. Additional other nonfinancial factors such as changes in the area’s economic conditions and the condition of the Authority’s capital assets should be considered in assessing the Authority’s overall health.

In the Statement of Net Position and the Statement of Activities, all of the Authority’s activities are reported as governmental: economic environment - industry development.

Reporting the Authority’s Funds

Our analysis of the Authority’s General Fund begins on page 6. The fund financial statements begin on page 10 and provide detailed information about the Authority’s governmental (general) fund.

A description of the governmental funds is as follows:

*Governmental funds* – The Authority’s services are reported in a governmental fund, which focuses on how money flows into and out of this fund and the balances left at year–end that are available for spending.

This fund is reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short –term view of the Authority’s general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Authority’s programs.

The relationship or differences between governmental activities reported in the Statement of Net Position and the Statement of Activities and governmental fund is described in reconciliations accompanying the fund financial statements.

The Authority as a Whole

The Authority’s net position, as indicated in the table below, decreased along with its capital assets. Analysis of the changes follows Table 1.

**Governmental Activities – Net Position**

**Table 1**  
**NET POSITION**  
**(In Thousands)**

	Governmental Activities	
	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 3,827	\$ 3,617
Capital assets	<u>2,169</u>	<u>3,360</u>
Total assets	<u>\$ 5,996</u>	<u>\$ 6,977</u>

(Table 1 continued)

Other liabilities	\$	8	\$	12
Long term liabilities		<u>40</u>		<u>39</u>
Total liabilities		<u>48</u>		<u>51</u>
Net position:				
Invested in Cap Assets		2,169		3,360
Restricted		3,506		3,293
Unrestricted		<u>273</u>		<u>273</u>
Total net position		<u>5,948</u>		<u>6,926</u>
Total liabilities & net position	\$	<u>5,996</u>	\$	<u>6,977</u>

The decrease in capital assets is due to the sale of parcel #2646-000, the “Raymond Building,” to Swift Straw II, LLC and parcel 1566-030, 43.9 acres of land to Southland Wood Recycling, LLC. Net assets decreased proportionately.

### Governmental Activities - Changes in Net Position

**Table 2**  
**CHANGES IN NET POSITION**  
**(In Thousands)**

Statement of Activities	Governmental Activities			
		2018		2017
Program revenues				
Economic environment	\$	502	\$	518
General revenues				
Interest		16		10
Rents		-		-
Miscellaneous		<u>2</u>		<u>10</u>
Total revenues		<u>520</u>		<u>538</u>
Program expenses				
Economic environment		<u>920</u>		<u>646</u>
Excess (deficiency) before special item		(400)		(108)
Special item				
Loss on asset disposals		<u>(578)</u>		<u>-</u>
Change in net position		(978)		(108)
Net position - beginning		<u>6,926</u>		<u>7,034</u>
Net position - ending	\$	<u>5,948</u>	\$	<u>6,926</u>

Table 2’s significant variances between years are explained below:

- Program revenues decreased approximately \$16,000 due to reduced mining activity (\$1.80 per ton for every ton of phosphate rock severed) by Nutrien Ltd. in Hamilton County, FL. Interest revenues increased due to rate increases. Miscellaneous revenues decreased due to the reimbursement of utilities at the Raymond Building in the prior year.
- Expenses at the government-wide level increased largely due incentives paid to Black Bay Seafood, \$39,000; Cheek & Scott, \$50,000; Cultiva Farms, \$250,000; H&F Restaurant, \$7,800; and others, \$3,950. Notable current year expense increases are as

follows: professional services increased \$41,204, due to real estate agent's fees for sale of land and building and catering and surveying services; promotional activities increased due to the sponsoring of the North Florida Economic Development Partnership in the amount of \$10,000. Other current charges increased due to the payment of taxes on the Jai Alai Fronton, parcel #6996-000, in the amount of \$67,353.

## THE AUTHORITY'S FUNDS

**TABLE 3  
CHANGES IN GENERAL FUND'S  
FUND BALANCES  
(in Thousands)**

General Fund	Fund Balance			Percent Change
	2018	2017	\$ Change	
Nondisposable	\$ 312	\$ -	\$ 312	100.00%
Restricted	3,234	3,332	(98)	-2.94%
Unassigned	273	273	-	0.00%
Total	<u>\$ 3,819</u>	<u>\$ 3,605</u>	<u>\$ 214</u>	<u>97.06%</u>

As indicated above the Authority's nondisposable fund balance increased due to the note receivable relating to the above sale of the building, restricted fund balance decreased approximately \$98,000. The increase in fund balance is due to the above sale of fixed assets.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Actual amounts expended were less than the budgeted amounts by \$2.25 million. The Authority budgets its reserves to use as incentives on an annual basis.

## CAPITAL ASSET AND DEBT ADMINISTRATION

As indicated in the table below, the Authority, in supporting economic development within Hamilton County, has approximately 152 acres of property available for this purpose including the acreage below:

1. Thirty-three acres of land near the I75/Hwy 129 interchange.
2. Fifty-eight acres at the I75/SR6 interchange.

The Authority's capital assets are as follows:

**Table 4  
CAPITAL ASSETS (in Thousands)**

	Governmental Activities	
	2018	2017
Land	\$ 760	\$ 1,310
Building	1,515	2,219
Infrastructure	2	2
Equipment and furniture	5	5
Total capital assets, gross	<u>\$ 2,282</u>	<u>\$ 3,536</u>

No capital outlay expenditures are budgeted in the 2018-19 fiscal year.

**Debt**

At year-end, the Authority had no outstanding debt other than accumulated leave liability.

**2018-19 BUDGET AND CURRENTLY KNOWN FACTS**

**2018-19 Budget**

The Authority appropriated \$120,000 for marketing and advertising and incentives of \$3.2 million. The budget totaled \$3.80 million.

**Currently Known Facts**


In furthering economic development in Hamilton County, the Authority has entered into economic development incentive agreements totaling in excess of \$434,000 with multiple entities.

In June 2019, the Authority’s employees resigned. The Authority is currently determining the course of action that it will take in promoting economic development in Hamilton County, Florida.

**CONTACTING THE AUTHORITY’S FINANCIAL MANAGEMENT**

This financial report is designed to provide the citizens of Hamilton County, Florida, with a general overview of the Authority’s finances and to show the Authority’s accountability for the money that it receives.

If you have questions about this report or need additional financial information, contact the Authority at 1153 US Hwy 41 NW Suite 4 Jasper, FL 32052.



Nathaniel Combass, Chairperson





**BASIC  
FINANCIAL  
STATEMENTS**



# HAMILTON COUNTY DEVELOPMENT AUTHORITY

## STATEMENT OF NET POSITION

September 30, 2018

Assets	
Cash	\$ 3,486,437
Accounts receivable	29,386
Note receivable	311,894
Capital assets	
Land	760,084
Other capital assets, net of depreciation	<u>1,409,023</u>
Total capital assets	<u>2,169,107</u>
Total assets	<u>\$ 5,996,824</u>
Liabilities and net position	
Liabilities	
Accounts payable	\$ 4,525
Payroll taxes payable	35
Long-term liabilities	
Due within one year	
Compensated absences	3,770
Due within more than one year	
Compensated absences	<u>40,200</u>
Total liabilities	<u>48,530</u>
Net position	
Invested in capital assets	2,169,107
Restricted for economic development	3,506,128
Unrestricted	<u>273,059</u>
Total net position	<u>5,948,294</u>
Total liabilities and net position	<u>\$ 5,996,824</u>

**HAMILTON COUNTY DEVELOPMENT AUTHORITY**

**STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities				
Economic environment				
Industry development	<u>\$ 919,405</u>	<u>\$ -</u>	<u>\$ 502,059</u>	<u>\$ (417,346)</u>
General revenues				
Interest				15,872
Miscellaneous revenue				2,001
Special item - loss on disposition of fixed assets				<u>(578,314)</u>
Total general revenues				<u>(560,441)</u>
Change in net position				(977,787)
Net position - beginning				<u>6,926,081</u>
Net position - ending				<u>\$ 5,948,294</u>

**HAMILTON COUNTY DEVELOPMENT AUTHORITY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

September 30, 2018

	<u>General Fund</u>
Assets	
Current assets	
Cash	\$ 3,486,437
Accounts receivable	29,386
Notes receivable	<u>311,894</u>
Total assets	<u>\$ 3,827,717</u>
Liabilities and Fund Balances	
Liabilities	
Current liabilities	
Accounts payable	\$ 4,525
Payroll taxes payable	35
Compensated absences	<u>3,770</u>
Total liabilities	<u>8,330</u>
Fund Balances	
Nonspendable:	
Notes receivable	311,894
Restricted for:	
Economic development	3,234,434
Unassigned	<u>273,059</u>
Total fund balances	<u>3,819,387</u>
Total liabilities and fund balances	<u>\$ 3,827,717</u>

**HAMILTON COUNTY DEVELOPMENT AUTHORITY**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS' BALANCE SHEET  
TO THE STATEMENT OF NET POSITION**

September 30, 2018

Total fund balances for governmental funds \$ 3,819,387

Total net assets reported for governmental activities in the statement of net assets is different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of the following:

Land, building, infrastructure, and equipment	2,282,368
Accumulated depreciation - building, infrastructure, and equipment	<u>(113,261)</u>
Total capital assets (See note 3.)	<u>2,169,107</u>

All liabilities, both current and long-term, are reported in the statement of net assets. Balances at September 30, 2018, are as follows:

Compensated absences long-term	<u>(40,200)</u>
--------------------------------	-----------------

Total net position of governmental activities \$ 5,948,294

**HAMILTON COUNTY DEVELOPMENT AUTHORITY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES  
GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2018

	General <u>Fund</u>
<b>Revenues</b>	
Intergovernmental revenues	
Phosphate severance tax	\$ 502,059
Miscellaneous revenues	
Interest	15,872
Other miscellaneous	<u>2,001</u>
Total revenues	<u>519,932</u>
<b>Expenditures</b>	
Economic environment	
Industry development	
Current:	
Personal services	152,891
Operating expenditures	372,209
Grants and aids	350,752
Capital outlay	<u>-</u>
Total expenditures	<u>875,852</u>
Excess (deficiency) of revenues over expenditures	<u>(355,920)</u>
Special items	
Sale of land	219,800
Sale of building	<u>350,000</u>
Net special items	<u>569,800</u>
Net change in fund balance	213,880
Fund balance at beginning of year	<u>3,605,507</u>
Fund balance at end of year	<u>\$ 3,819,387</u>

**HAMILTON COUNTY DEVELOPMENT AUTHORITY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2018

Net change in fund balances - total governmental funds \$ 213,880

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Expenses are reduced by the capital outlay, if any, and increased by the current period's depreciation. The proceeds from the sale of fixed assets is deducted from net income, and gain or (loss) is computed.

Capital outlay	-
Depreciation	(42,523)
Sale of fixed assets	(569,800)
Loss on disposals of fixed assets	(578,314)

In governmental funds, the long-term portion of accrued annual leave is not recorded. In the statement of net assets, the adjustment is made to salaries based on the increase or (decrease) in the liability.

Change in net position of governmental activities \$ (977,787)



# HAMILTON COUNTY DEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

September 30, 2018

### **NOTE 1. – Summary of Significant Accounting Policies**

The Hamilton County Development Authority (the Authority) is an Independent Special District created June 6, 1959, under the authority of Chapter 50-1322, as amended by Chapter 61-2217, *Laws of Florida*. Accordingly, the Authority is subject to restrictions imposed by the Florida Constitution and Statutes, as well as the Authority's governing board.

The Authority's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The more significant accounting policies established in GAAP and used by the Authority is discussed below.

#### **A. Reporting Entity**

These financial statements present only the Hamilton County Development Authority (the primary government). As defined by GASB No. 14, component units are legally separate entities that are to be included in the Authority's reporting entity because of the significance of the operating or financial relationships with the Authority.

At September 30, 2018, the Hamilton County Development Authority reporting entity consists only of those functions and activities administered directly by the Authority and include no component units.

The Authority's basic financial statements include both government-wide, which include the financial activities of the overall government, except for fiduciary activities when applicable, reporting the Authority as a whole and fund financial statements reporting the Authority's major fund.

The Authority's industry development activities are classified as governmental activities; therefore, both the government-wide and fund financial statements are considered governmental.

#### **B. Basis of Presentation, Basis of Accounting**

The Authority's basic financial statements include both government-wide, which include the financial activities of the overall government, except for fiduciary activities – if applicable (reporting the Authority as a whole) and fund financial statements (reporting the Authority's major funds). The Authority's industry development activities are classified as governmental activities; therefore, both the government-wide and fund financial statements are considered governmental.

## **Government-wide Statements**

The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government, except for fiduciary funds and component units that are fiduciary in nature, if applicable. When applicable, eliminations are made to minimize the double counting of internal activities.

These statements detail the *governmental activities* of the Authority. Governmental activities generally are financed through intergovernmental revenues, and other nonexchange transactions. The Authority's governmental activities include all services provided.

In the government-wide statement of net position, the government activities are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Authority's net position is reported in three parts: invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

The statement of activities presents a comparison, reporting the gross and net costs, between direct expenses and program revenues for each function of the Authority's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. There are no indirect expense allocations and, therefore, none have been reversed for the statement of activities.

Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, if applicable, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The government-wide focus is on the sustainability of the Authority as an entity and the change in the Authority's net position resulting from the current year's activities. Neither fiduciary funds nor component units that are fiduciary in nature are included in the government-wide financial statements

## **Fund Financial Statements**

The fund financial statements provide information about the Authority's funds and focus on the determination of financial position and changes in financial position rather than upon net income. When applicable, separate statements for each fund category-*governmental and proprietary* are presented.

The Authority only presents governmental funds. The emphasis of fund financial statements is on the Authority's major governmental fund.

The Authority reports the following major governmental fund:

General Fund - The General Fund is the Authority's operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

## **C. Measurement Focus, Basis of Accounting**

The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Authority considers all revenues reported in the governmental funds to be available if they are collected within six months after the end of the current fiscal period. Intergovernmental revenues and interest are considered to be susceptible to accrual.

In governmental funds, expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources, when applicable.

When applicable, the Authority funds certain programs using a combination of restricted and unrestricted resources. Thus, when certain expenses are incurred, there are both restricted and unrestricted resources available to finance the program. It is the Authority's policy to first apply restricted resources to such programs, followed by unrestricted resources.

## **D. Assets, Liabilities, and Equity**

### **Cash and Cash Equivalents**

The Authority has defined cash and cash equivalents to include cash on hand, demand deposits, and certificates of deposit with original maturities of three months or less.

### **Inventories**

It is the policy of the Authority to record the acquisition of supplies as expenditures at the time of purchase. The amount of supplies on hand at any time is nominal in amount and is considered immaterial.

### **Capital Assets**

Capital assets purchased or acquired are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the asset's estimated useful lives.

Estimated useful lives and the asset category's capitalization threshold are as follows:

	<u>Useful Life</u>	<u>Capitalization Threshold</u>
Buildings	40 years	\$1,000
Infrastructure	10-40 years	1,000
Equipment	5-10 years	1,000

GASB No. 34 required the Authority to report and depreciate new infrastructure assets effective with the 2004 fiscal year. Infrastructure assets include roads, bridges, underground pipe, traffic signals, sidewalks, etc. In the future, these infrastructure assets are likely to be the Authority's largest asset class. The Authority retroactively reported all capital assets constructed or purchased in prior years.

### **Compensated Absences**

Compensated absences are absences for which employees will be paid, such as paid time off. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees are accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees are accounted for in the period in which such services are rendered or such events take place. The calculation for the accrued paid time off is based upon the hourly balances and the employees' rate of pay at year-end.

At September 30, 2018, the Authority allowed unlimited accumulation of sick and annual leave.

### **Interfund Activity**

Interfund activity is reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

The Authority only had one fund at September 30, 2018, and, as a result, had no interfund activity.

### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## **Restricted Net Position/Fund Balance**

*Florida Statutes* 211.3103 restricts the usage of the Phosphate Severance Tax to promote and direct the economic development of Hamilton County, Florida.

As result of the above, fund balance is restricted in the amount of \$3,234,434. At the government-wide Statement of Net Position, net position is restricted in the amount of \$3,506,128; none of which is restricted by enabling legislation.

## **Governmental Funds – Fund Balances**

GASB has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54) to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Authority's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the users of those resources.

The Authority does not have a policy regarding the commitment or assignment of fund balances. As a result, the Authority does not report any committed fund balance. When applicable, in accordance with GASB 54, the Authority reports the amount of the fund balance needed to eliminate expected expenditures over expected revenues in the subsequent year budget as assigned fund balance of the general fund.

The Authority's policy regarding whether restricted or unrestricted amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available is that the restricted amounts should be expended prior to the unrestricted balances. In the unrestricted balances the order in which the expenditure is made, when applicable, is committed, assigned, and unassigned.

The breakdown of the fund balance for governmental funds is presented at Note 6.

## **Deferred Inflows of Resources**

The Authority's statement of net position and its governmental fund balance sheet, when applicable, will report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period.

## **NOTE 2. Cash Deposits**

The Authority has not adopted a written investment policy and as a result operates under Section 218.415(17), *Florida Statutes*. Under this Statute, the Authority is authorized to invest surplus public funds in:

- (a) The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Inter-local Cooperation Act, as provided in s. 163.01.
- (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, as defined in s. 280.02.
- (d) Direct obligations of the U.S. Treasury.

At September 30, 2018, the Authority's cash held in bank demand deposits totaled \$3,486,437. Of this balance, \$500,000 was covered by federal depository insurance. The remainder is insured through the Bureau of Collateral Management, Florida Department of Financial Services.

Information on the Authority's certificate of deposit is as follows:

Certificates of deposit	Amount	Rate	Maturity
First Federal	<u>\$ 1,535,404</u>	0.70%	10/31/2018

### NOTE 3. Capital Assets

Capital asset activity for the year ending September 30, 2018, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	<u>\$ 1,309,584</u>	<u>\$ -</u>	<u>\$ 549,500</u>	<u>\$ 760,084</u>
Capital assets being depreciated				
Building	2,219,410	-	704,252	1,515,158
Infrastructure	2,318	-	-	2,318
Equipment	<u>4,808</u>	<u>-</u>	<u>-</u>	<u>4,808</u>
Total capital assets being depreciated	<u>2,226,536</u>	<u>-</u>	<u>704,252</u>	<u>1,522,284</u>
Less accumulated depreciation for				
Building	172,370	42,169	(105,638)	108,901
Infrastructure	967	232	-	1,199
Equipment, furniture, and vehicles	<u>3,039</u>	<u>122</u>	<u>-</u>	<u>3,161</u>
Total accumulated depreciation	<u>176,376</u>	<u>42,523</u>	<u>(105,638)</u>	<u>113,261</u>
Capital assets being depreciated, net	<u>2,050,160</u>	<u>42,523</u>	<u>598,614</u>	<u>1,409,023</u>
Governmental activity capital assets, net	<u>\$ 3,359,744</u>	<u>\$ 42,523</u>	<u>\$ 1,148,114</u>	<u>\$ 2,169,107</u>

Depreciation expense was charged to functions as follows:

Governmental activities	
Economic environment	<u>\$ 42,523</u>

### NOTE 4. Long-term Obligations

During the year ended September 30, 2018, the following changes occurred in the Authority's long-term obligations:

Governmental Activities	10/1/2017	Adds	Deletes	9/30/2018	Amounts Due Within One Year
Long-term obligations					
Compensated absences	<u>\$ 42,022</u>	<u>\$ 14,015</u>	<u>\$ 12,067</u>	<u>\$ 43,970</u>	<u>\$ 3,770</u>

## **NOTE 5. Employee Retirement and Insurance**

In lieu of retirement, the Authority made payments to its Executive Director and the Administrative Assistant in the amount of 9.3% of the respective annual salaries.

The above amount was prorated based on the employee pay periods.

## **NOTE 6. Fund Balance Reporting**

GASB 54 provides for two major types of fund balances for governmental funds, which are nonspendable and spendable.

Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, notes receivable, inventories, and the principal of permanent or endowment funds. The Authority does not report inventory in its governmental funds; however, it does record prepaid items when applicable.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on spending constraints:

Restricted – Fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.

Committed – Fund balances that contain self-imposed constraints of the government from its highest level of decision-making authority.

Assigned – Fund balances that contain self-imposed constraints of the government to be used for a particular purpose. This category includes any remaining positive amounts, for governmental funds other than the General Fund, not classified as nonspendable, restricted, or committed.

Unassigned – Fund balance of the general fund that is not constrained for any particular purpose.

The Authority has classified its fund balances with the following hierarchy:

### Nonspendable

The Authority has recorded a nonspendable fund balance in the amount of \$311,894, for long-term notes receivable.

### Spendable

The Authority has classified the spendable fund balance as restricted, assigned, and unassigned, as applicable. When restricted, assigned, and unassigned funds are available for use, the Authority's procedures are to use the restricted funds first, followed by the assigned funds, and then the unassigned funds.

#### Description

#### Fund Balances

Nonspendable	
Notes receivable	\$ 311,894
Restricted for:	
Economic development	3,234,434
Unassigned	<u>273,059</u>
Total fund balances	<u>\$3,819,387</u>

At September 30, 2018, the unassigned general fund balance was \$273,059 or 31 percent of the General Fund's total expenditures.

**NOTE 7. Economic Dependence**

The Hamilton County Development Authority receives a significant portion of its revenues through annual appropriations of the Solid Mineral Severance Tax established via *Florida Statutes* 211.3103. If these annual appropriations ceased, the Authority could be adversely affected.

**NOTE 8. Economic Development Grants - Commitments**

During the year ending September 30, 2018, the Authority's economic development grants were as follows:

<u>Commitment to:</u>	<u>Award</u>	<u>Payments</u>	<u>Balance</u>
Suwannee Valley Nursing Center	\$ 250,000	\$ -	\$ 250,000
Front Porch Café	9,469	-	9,469
Mega Meat	125,000	-	125,000
Preferred Rentals	50,000	-	50,000

Payments are not made to the grantee until criteria outlined in the grant award is met.

The Authority has made offers to various entities in attempting to promote economic development in Hamilton County, FL. All offers other than the above remain in the negotiation stage or are contingent on the performance of certain activity which may or may not occur.

**NOTE 9. Risk Management Programs**

The Authority is exposed to various risks of loss related to torts; theft of; damage to; and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has obtained commercial insurance from independent third parties to mitigate the costs of these risks. However, coverage may not extend to all situations.

General liability and environmental impairment incident coverage have been secured by the Authority to cover any claims less applicable deductibles.

Settled claims from the risks described above have not exceeded the commercial insurance coverage for the past three fiscal years.

**NOTE 10. Current/Future Accounting Pronouncements**

The following statements of the Governmental Accounting Standards Authority were effective for the Authority's 2017-18 fiscal year:

- No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- No. 85, Omnibus 2017*
- No. 86, Certain Debt Extinguishment Issues*



As required, the Authority adopted the above pronouncements. The financial statements reflect the use of the above pronouncement as applicable.

The following statements will be effective for the Authority's 2018-19 fiscal year (and beyond):

*No. 83, Certain Asset Retirement Obligations*

*No. 84, Fiduciary Activities*

*No. 87, Leases*

*No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

*No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period*

*No. 90, Majority Equity Interests*

The Authority is evaluating the effects that these statements will have on its financial statements for the year ending September 30, 2019.

#### **NOTE 11. Subsequent Events**

Management has evaluated subsequent events through July 29, 2019, the date on which the financial statements were available to be issued and reports the following:

##### Economic Incentives

Post year-end economic incentives paid are as follows:

<u>Payee</u>	<u>Date</u>	<u>Amount</u>
Mega Meat	12/20/18	\$ 62,500
Mega Meat	02/01/19	62,500
Preferred Rentals	02/01/19	50,000
Front Porch Café	04/16/19	1,361
Front Porch Café	04/16/19	1,075
Front Porch Café	05/22/19	1,165



**REQUIRED  
SUPPLEMENTARY  
INFORMATION**



**HAMILTON COUNTY DEVELOPMENT AUTHORITY**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

For the Year Ended September 30, 2018

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Budgetary fund balance	\$ 3,074,365	\$ 2,620,662	\$ 3,605,507	\$ 984,845
Estimated receipts				
Intergovernmental revenues				
Phosphate severance tax	500,000	500,000	502,059	2,059
Miscellaneous revenues				
Interest	5,000	10,000	15,872	5,872
Disposition of fixed assets	-	-	569,800	
Other miscellaneous	<u>-</u>	<u>-</u>	<u>2,001</u>	<u>2,001</u>
Total amounts available for appropriation	<u>3,579,365</u>	<u>3,130,662</u>	<u>4,695,239</u>	<u>994,777</u>
Appropriations and reserves				
Economic environment				
Industry development				
Personal services	150,000	160,000	152,891	7,109
Operating expenditures	419,960	369,260	372,209	(2,949)
Grants and aids	<u>405,003</u>	<u>2,601,402</u>	<u>350,752</u>	<u>2,250,650</u>
Total industry development	<u>974,963</u>	<u>3,130,662</u>	<u>875,852</u>	<u>2,254,810</u>
Reserves				
Contingency and reserve	<u>2,604,402</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total appropriations and reserves	<u>3,579,365</u>	<u>3,130,662</u>	<u>875,852</u>	<u>2,254,810</u>
Budgetary fund balance at year end	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,819,387</u>	<u>\$ 3,249,587</u>

**HAMILTON COUNTY DEVELOPMENT AUTHORITY  
NOTES TO BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

September 30, 2018

**NOTE 1. BUDGET**

Annual budgets, as required by state statutes, are adopted on a basis consistent with GAAP for all governmental funds. All annual appropriations lapse at fiscal year-end.

On or before June 30, the Authority’s Executive Director prepares a proposed budget and submits it to the governing board. On or before September 30, the Authority’s governing board adopts the budget by resolution.

The appropriated budget is prepared on a detailed line item basis by fund, function, and department. Revenues are budgeted by source. Expenditures are budgeted by department and object classification as follows: personal services, operating expenditures, capital outlay, and debt service.

The legal level of budgetary control is the fund level. Budgetary information is integrated into the accounting system and appropriations are controlled at the line item level within each department for management control purposes. Budget amendments require the Authority’s governing board’s approval recorded in the Authority’s minutes. The Authority amended its budget once after year-end.

**NOTE 2. EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS AND GAAP REVENUES AND EXPENDITURES**

	<u>General Fund</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedules	\$ 4,695,239
Differences - budget to GAAP	
The beginning fund balance is a budgetary resource but is not a current-year revenue for financial reporting purposes	(3,605,507)
Dispositions of fixed assets are a budgetary resource but are reported as special items	<u>(569,800)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 519,932</u>
Appropriations	
Actual amounts (budgetary basis) appropriated for expenditure from the budgetary comparison schedules	<u>\$ 875,852</u>

**NOTE 3. POSTING BUDGET ON WEBSITE**

Per Florida Statutes 189.016(4) and (6), the Authority’s budget “must be posted on the special district’s website within 30 days after adoption . . .” Contrary to the aforementioned, the Authority did not post its budget on its website as required.

**COMPLIANCE**  
**SECTION**





**KENNETH M. DANIELS**  
**CERTIFIED PUBLIC ACCOUNTANT**

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**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 Members of the Hamilton County Development Authority  
Hamilton County, Florida

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Hamilton County Development Authority, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Hamilton County Development Authority's basic financial statements, and have issued my report thereon dated July 29, 2019.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings that I consider to be a significant deficiency. It is referenced as finding 2016-003.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Hamilton County Development Authority's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings as item 2016-001.

## **Hamilton County Development Authority's Response to Finding(s)**

The Authority's response to the findings identified in my audit is described as Management's Response to Audit Findings. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Kenneth M. Daniels  
Certified Public Accountant  
July 29, 2019

## Hamilton County Development Authority

### Schedule of Audit Findings

September 30, 2018

#### Internal Control Over Financial Reporting

##### 2016-003 Overpayment of Payroll (Findings Third Year)

Criteria: Via a prior year agreement, the Authority's Board set the Executive Director's wage exclusive of bonuses and raises and annually awards raises and bonuses. The Executive Director establishes an annual wage for the Director's assistant. These established amounts form the base for which the employees are paid on a biweekly basis.

Condition: The Authority's employees were paid in excess of the established amounts. In 2017, the Executive Director received \$9,261 in excess the established amount. The Assistant received \$3,785 in excess of the allowed amount.

Context: The Authority's Board reviews all disbursements but did not ensure that amounts paid, in total as wages, were in agreement with the established amounts.

Effect: Payments in excess of approved wages is as follows: 2018- \$13,046; 2017 - \$12,424; 2016 - \$3,916; total \$29,386.

Cause: The failure to review the number of payroll disbursements and agree the annual total to the approved payroll.

Recommendation: The Board of Directors should review the QuickBooks "Payroll Summary Report" on a monthly basis and ensure that payrolls are correct based on the biweekly payroll scheme. Review and approval should be notated by signature or indicated in the Board's minutes. Yearly totals should not exceed the approved amounts.

#### Compliance and Other Matters

##### 2016-001 Annual Audit (Findings Third Year)

Criteria: *Florida Statutes* 218.32(1)(d) requires that "each local government entity that is required to provide for an audit under s. 218.39(1) must submit a copy of the audit report and annual financial report to the department (of Financial Services) within 45 days after the completion of the audit report but no later than nine months after the end of the fiscal year."

Condition: The Authority's annual audit and annual financial report was not completed in accordance with the above referenced statutes for the year ending September 30, 2018.

Context: The Authority failed to follow procedures to ensure that a timely audit and completion of the annual financial report was performed.

Effect: Noncompliance with *Florida Statutes*.

Cause: The failure to follow the Statutes indicated above is significant and a chronic event.

Recommendation: I again recommend that the Authority implement procedures – at a minimum, a checklist with dates of audit beginning and completion, approved by the Board of Directors - to ensure that the audit and annual financial report are completed and submitted timely in accordance with *Florida Statutes*.

**KENNETH M. DANIELS**  
**CERTIFIED PUBLIC ACCOUNTANT**

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**INDEPENDENT ACCOUNTANT'S REPORT**

To the Board Members of the Hamilton County Development Authority  
Hamilton County, Florida

I have examined the Hamilton County Development Authority's compliance with *Florida Statutes* 218.415 during the period October 1, 2017, to September 30, 2018. Management of the Hamilton County Development Authority is responsible for the Authority's compliance with those requirements. My responsibility is to express an opinion on the Hamilton County Development Authority's compliance based on my examination.

My examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that I plan and perform the examination to obtain reasonable assurance about whether the Hamilton County Development Authority complied in all material respects with the specified requirements above. An examination involves performing procedures to obtain evidence about whether the Hamilton County Development Authority complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on my judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. I believe that my examination provides a reasonable basis for my opinion.

My examination does not provide a legal determination on the Hamilton County Development Authority's compliance with the specified requirements.

In my opinion, the Hamilton County Development Authority, complied in all material respects, with the aforementioned requirements for the period October 1, 2017, to September 30, 2018.



Kenneth M. Daniels  
Certified Public Accountant  
July 29, 2019

**KENNETH M. DANIELS**  
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**MANAGEMENT LETTER**

To the Board Members of the Hamilton County Development Authority  
Hamilton County, Florida

**Report on the Financial Statements**

I have audited the financial statements of the Hamilton County Development Authority, as of and for the fiscal year ended September 30, 2018, and have issued my report thereon dated July 29, 2019.

**Auditor's Responsibility**

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Other Reporting Requirements**

I have issued my 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 Accountant'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 that report, which is dated July 29, 2019, should be considered in conjunction with this management letter.

**Prior audit findings**

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that I determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted below.

**2015-001 Accrued Annual Leave (Fourth Year)**

Criteria: Changes in leave balances should be formally tracked with each payroll for all employees. The changes should be approved by a member of the Board or management, as appropriate, as incurred and on a monthly basis.

Condition: No indication of the approval of leave transactions/balances by a Board Member or management was noted on the leave documents provided.

Context: From my audit of annual leave, additions and deletions for the year by pay period were provided; however, there was no indication of approval by a Board Member for the Executive Director or Executive Director for the Staff Assistant. No actual leave documents noting hours taken and date(s) were provided.

Effect: Possible errors in reporting leave balances.

Cause: Failure to submit the changes in annual and sick leave to the appropriate level of management on an as used and monthly basis.

Recommendation: I again recommend that changes in leave (annual and sick) should be tracked in association with each payroll. The Executive Director should indicate approval of office staff leave used and leave balances. A Board Member should approve the Executive Director's changes in leave and leave balances. Detailed leave slips which document the date and hours off should accompany the monthly summary.

### **2016-002 Travel/other Reimbursements (Third Year)**

Criteria: Reimbursements for travel should be made in accordance with *Florida Statutes* 112.061. Other reimbursements should be adequately supported by documentation.

Condition: Of the twenty reimbursements tested (other reimbursements were made with travel):

1. Eight of the twenty reimbursements were travel related - none were reviewed in detail by someone other than the traveler.
2. Mileage was claimed without supporting documentation.
3. Lodging was reimbursed in the amount of \$675 without any supporting documentation.
4. An advance on travel in the amount of \$3,000 was provided without subsequent reconciliation to the actual cost.

Context: Travel and other reimbursed expenditures totaled \$17,029. Travel and other reimbursements tested totaled \$15,196.

Effect: Possible incorrect travel costs, undocumented expenses reimbursed.

Cause: Systemic failure to comply with *Florida Statutes* 112.061 and adequately support other reimbursements.

Recommendations: A Board Member should review travel vouchers for compliance with the above referenced statute including time of departure and arrival, mileage documentation, and supporting invoices for lodging and other miscellaneous items. Signature on the travel voucher would indicate the review and approval. Travel advances should be reconciled to the actual travel costs incurred. Other reimbursements should be supported by invoice.

## **2016-004 Employee Bonuses (Third Year)**

Criteria: Bonuses should be awarded based on an analysis by the Board of Directors in accordance with its "Bonus Guidelines of Performance" which were developed in accordance with *Florida Statutes* 215.425(3)(b).

Condition: Per review of the Board's minutes and inquiry, I again noted that a bonus had been awarded but that documentation of the Board's analysis of the "Bonus Guidelines of Performance" had not been retained or indicated in the Board's minutes.

Context: Wages for the Authority were scheduled and the bonuses awarded were noted. Approval for the bonuses was not indicated in the Board's minutes.

Effect: Failure to comply with *Florida Statutes* 214.425

Cause: Lack of documentation regarding the achievements by employees as indicated in the Board's "Bonus Guidelines of Performance."

Recommendation: I again recommend documenting the achievement of Authority's performance goals as outlined in the above referenced document. Retain the analysis for post year end audit review.

## **2017-001 Disbursements (Second Year)**

Criteria: Disbursements should be processed in accordance with *Florida Statutes* 218.74, and supported by documentation.

Condition: Per the test of disbursements, the following was noted:

1. Sixteen instances in which invoices were not date stamped
2. Six instances in which the disbursement was not supported by invoice or approval in minutes

Context: Forty of the Authority's 279 disbursements were tested.

Effect: Failure to comply with *Florida Statutes* 218.74 and ensure that disbursements are supported by invoice or other documentation.

Cause: Lack of expenditure support and failure to date stamp all invoices.

Recommendation: Support all disbursements with invoices or other support and process invoices in accordance with *Florida Statutes* 218.74.

## **Official Title and Legal Authority**

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements.



See Note 1. The Hamilton County Development Authority's financial statements included no component units.

### **Financial Condition and Management**

Section 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, requires that I report the results of my determination as to whether or not the Hamilton County Development Authority, has met one or more of the conditions described in Section 218.503(1), *Florida Statutes*, and identification of the specific condition(s) met. In connection with my audit, I determined that the Hamilton County Development Authority did not meet any of the conditions described in Section 218.503(1), *Florida Statutes*.

Pursuant to Sections 10.554(1) (i)5.b. and 10.556(8), *Rules of the Auditor General*, I applied financial condition assessment procedures. It is management's responsibility to monitor the Hamilton County Development Authority's financial condition, and my financial condition assessment was based in part on representations made by management and review of financial information provided by the same. The financial condition assessment was performed as of September 30, 2018.

Section 10.554(1) (i)2, *Rules of the Auditor General*, require that I communicate any recommendations to improve financial management. In connection with my audit, please see the above findings.

### **Annual Financial Report**

Section 10.554(1) (i)5.b., and 10.556(7), *Rules of the Auditor General*, require that I report the results of my determination as to whether the annual financial report for the Hamilton County Development Authority, for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), *Florida Statutes*, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with my audit, I determined that these two reports were in agreement.

### **Special District Component Units**

Section 10.554(1) (i)5.c, *Rules of the Auditor General*, requires that I determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3) (b), *Florida Statutes*. In connection with my audit, I determined that there were no applicable component units and, therefore, nothing to report.

### **Additional Matters**

Section 10.554(1) (i)3., *Rules of the Auditor General*, requires that I address in the management letter any recommendations to improve financial management. In connection with my audit, I did not have any such recommendations other than those indicated above.

## **Purpose of this Letter**

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, the Authority Members, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



Kenneth M. Daniels  
Certified Public Accountant  
July 29, 2019

**MANAGEMENT'S  
RESPONSE TO  
AUDIT FINDINGS**





# Hamilton County

## DEVELOPMENT AUTHORITY

**Chairman**  
R.B. Davis  
**Interim-Chair**  
Nathaniel Combass  
**Vice- Chair**  
Mary Lou Bullard  
**Sec./Treasurer**  
Danny Daniels  
**Executive Director**  
Susan Ramsey  
**Executive Assistant**  
Sheremah De'Jesus

**Board Members**  
John Cloyd  
Megan Carter  
Lowell Klepper  
Milton Hitson

**Board Attorney**  
Rhett Bullard

RE: 2018 audit findings

Mr. Daniels:

Please find the Authority's responses to the referenced audit findings below:

### **2016-003 Overpayment of Payroll**

At the Authority's June 2019 meeting, the two employees which were overpaid resigned. The Authority sought to recover the overpayment through the employees' accrued annual and sick leave. The overpayment to the Executive Director was fully recovered via leave time. The Office Assistant's overpayment was not fully recovered. The Authority's Board agreed not seek further payment from the Office Assistant.

In the future, the Board will review payroll disbursements in detail and ensure that all payments are appropriate. Yearly totals will be agreed to the approved amounts.

### **2016-001 Annual Audit**

The Board plans to implement timelines to ensure that all future audits are completed and submitted timely.

### **2015-001 Accrued Annual Leave**

All future changes in leave (annual and sick) and resulting balances will be tracked in association with each payroll. In the future, an appropriate individual will indicate approval of staff leave used and leave balances. Detailed leave slips will document the date and time off and will accompany the monthly summary. The leave slips will be approved by an appropriate individual.

### **2016-002 Travel/other Reimbursements**

An appropriate member of management (Board Member) will review travel vouchers for compliance with the above referenced statute including time of departure and arrival, mileage documentation, and supporting invoices for lodging and miscellaneous items. Signature on the travel voucher will

indicate the review and approval. Travel advances will be reconciled to the actual travel costs incurred.

**2016-004 Employee Bonuses**


For all future bonuses, the Authority will document the achievement of performance goals as outlined in the Bonus Guidelines of Performance document in the Board’s minutes. The detailed analysis will be retained for audit review.

**2017-001 Disbursements**

All disbursements will be supported by invoice or evidence. In addition, invoices will be processed in accordance with *Florida Statutes* 218.74.

The Authority seeks to provide the citizens of Hamilton County, Florida, with timely, accurate and compliant, financial information in seeking its goal of economic enhancement.

Should additional information be required, please contact me.



Nathaniel Combass, Chairperson