

**DUNES COMMUNITY DEVELOPMENT DISTRICT  
FLAGLER COUNTY, FLORIDA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2019**

**DUNES COMMUNITY DEVELOPMENT DISTRICT  
FLAGLER COUNTY, FLORIDA**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Supervisors  
Dunes Community Development District  
Flagler County, Florida

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Dunes Community Development District, Flagler County, Florida ("District") as of and for the fiscal year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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, the business-type activities, and each major fund of the District as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows 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 30, 2020, 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 solely 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.



June 30, 2020

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Dunes Community Development District, Flagler County, Florida's ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2019. 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, 2019 by \$52,392,540 (net position), a decrease of (\$140,044) in comparison with the prior fiscal year.
- At September 30, 2019, the District's governmental funds reported combined ending fund balances of \$87,961, an increase of \$38,290 in comparison with the prior fiscal year. A portion of the total fund balance is non-spendable for prepaid items, assigned for subsequent year's expenditures and the remainder is unassigned fund balance.

### OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are 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.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by assessments (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general (management) and maintenance functions. The business-type activities of the District include the water and sewer operations and the toll bridge operations.

## OVERVIEW OF FINANCIAL STATEMENTS (Continued)

### 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 two fund categories: governmental funds and proprietary funds.

### 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 balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains one individual governmental fund. Information is presented separately 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.

### Proprietary Funds

The District maintains one type of proprietary fund, enterprise fund. The District maintains two enterprise funds. An enterprise fund is used to report the same function presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for the operations of the water and sewer utility services within the District. The District also uses an enterprise fund to account for the operations of the toll bridge within the District. Both funds are considered to be major funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

### 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.

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget to actual comparison for the general fund.

## 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,					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets, excluding capital assets	\$ 102,210	\$ 92,628	\$ 17,880,829	\$ 22,693,758	\$ 17,983,039	\$ 22,786,386
Capital assets, net of depreciation	148,335	159,422	35,809,738	31,684,628	35,958,073	31,844,050
Total assets	250,545	252,050	53,690,567	54,378,386	53,941,112	54,630,436
Liabilities, excluding long-term liabilities	14,249	42,957	1,534,323	2,054,895	1,548,572	2,097,852
Total liabilities	14,249	42,957	1,534,323	2,054,895	1,548,572	2,097,852
Net position						
Investment in capital assets	148,335	159,422	35,809,738	31,684,628	35,958,073	31,844,050
Restricted for:						
Community projects	-	-	1,386,047	1,351,550	1,386,047	1,351,550
Unrestricted	87,961	49,671	14,960,459	19,287,313	15,048,420	19,336,984
Total net position	\$ 236,296	\$ 209,093	\$ 52,156,244	\$ 52,323,491	\$ 52,392,540	\$ 52,532,584

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.

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

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.

### Governmental activities

As noted below and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2019 was \$440,899. The majority of the costs of the District's activities were paid by program revenues. As in the prior fiscal year, program revenues are comprised primarily of assessments. The majority of the change in expenses results from increases in professional services fees.

### Business-type activities

For the fiscal year ended September 30, 2019, the cost of the business-type activities was \$5,500,041. The costs of those activities were paid for by program revenues which consisted primarily of user fees and charges. The majority of the change in expenses results from increases in certain maintenance and payroll expenses.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	CHANGES IN NET POSITION					
	FOR THE FISCAL YEAR ENDED SEPTEMBER 30,					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues						
Charges for services	\$ 190,928	\$ 190,820	\$ 5,116,695	\$ 4,970,606	\$ 5,307,623	\$ 5,161,426
General revenues						
Miscellaneous	3,927	2,757	489,346	424,093	493,273	426,850
Total revenues	194,855	193,577	5,606,041	5,394,699	5,800,896	5,588,276
Expenses:						
General government	258,519	246,517	-	-	258,519	246,517
Maintenance and operations	182,380	182,064	-	-	182,380	182,064
Water and sewer	-	-	4,104,964	3,681,105	4,104,964	3,681,105
Toll bridge operations	-	-	1,395,077	1,365,343	1,395,077	1,365,343
Total expenses	440,899	428,581	5,500,041	5,046,448	5,940,940	5,475,029
Transfers	273,247	200,000	(273,247)	(200,000)	-	-
Change in net position	27,203	(35,004)	(167,247)	148,251	(140,044)	113,247
Net position - beginning	209,093	244,097	52,323,491	52,175,240	52,532,584	52,419,337
Net position - ending	\$ 236,296	\$ 209,093	\$ 52,156,244	\$ 52,323,491	\$ 52,392,540	\$ 52,532,584

## GENERAL FUND 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, 2019 was amended to increase appropriations by \$314,300 and increase other financing sources by \$314,300. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2019.

## CAPITAL ASSETS

At September 30, 2019, the District had \$191,236 invested in capital assets for its governmental activities. In the government-wide financial statements depreciation of \$42,901 has been taken, which resulted in a net book value of \$148,335. The District's business-type activities reported net capital assets of \$35,809,738. More detailed information about the District's capital assets is presented in the notes of the financial statements.



## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND OTHER EVENTS

The District anticipates some capital improvement projects in fiscal year 2021. Construction for the wastewater treatment plant is complete at this time. Other capital improvement projects scheduled for fiscal year 2020 include improvements to the water plant, water distribution system, wastewater collection system and reuse distribution system.

The District entered into an inter-local agreement with Flagler County to contribute a total of \$1.8 Million in surplus funds from the bridge fund for certain community projects. To date, all funds have been disbursed except for interest remaining in the account which is currently proposed as a project to improve the bridge.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide land owners, 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 Dunes Community Development District's Finance Department at 5385 N. Nob Hill Road, Sunrise, Florida, 33351.

**DUNES COMMUNITY DEVELOPMENT DISTRICT  
FLAGLER COUNTY, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2019**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 42,568	\$ 159,246	\$ 201,814
Investments	54,452	15,884,398	15,938,850
Receivables	1,072	432,191	433,263
Due from business type activities	2,102	-	2,102
Restricted assets:			
Investments	-	1,386,047	1,386,047
Prepays	2,016	17,947	19,963
Deposits	-	1,000	1,000
Capital assets:			
Nondepreciable	-	8,253,105	8,253,105
Depreciable, net	148,335	27,556,633	27,704,968
Total assets	<u>250,545</u>	<u>53,690,567</u>	<u>53,941,112</u>
<b>LIABILITIES</b>			
Accounts payable	14,249	169,417	183,666
Due to governmental type activities	-	2,102	2,102
Contracts/retainage payable	-	50,000	50,000
Unearned revenue	-	1,312,804	1,312,804
Total liabilities	<u>14,249</u>	<u>1,534,323</u>	<u>1,548,572</u>
<b>NET POSITION</b>			
Investment in capital assets	148,335	35,809,738	35,958,073
Restricted for:			
Community projects	-	1,386,047	1,386,047
Unrestricted	87,961	14,960,459	15,048,420
Total net position	<u>\$ 236,296</u>	<u>\$ 52,156,244</u>	<u>\$ 52,392,540</u>

See notes to the financial statements

**DUNES COMMUNITY DEVELOPMENT DISTRICT  
FLAGLER COUNTY, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

<u>Functions/Programs</u>	Expenses	Program Revenues	Charges for Services	Governmental Activities	Business-type Activities	Net (Expense) Revenue and Changes in Net Position	Total
Primary government:							
Governmental activities:							
General government	\$ 258,519	\$ 190,928	\$ (67,591)	\$ -	\$ (67,591)	\$ (67,591)	\$ (67,591)
Maintenance and operations	182,380	-	(182,380)	-	(182,380)	-	(182,380)
Total governmental activities	440,899	190,928	(249,971)	-	(249,971)	-	(249,971)
Business-type activities:							
Water and sewer utilities	4,104,964	3,318,545	-	(786,419)	(786,419)	(786,419)	(786,419)
Toll bridge operations	1,395,077	1,798,150	-	403,073	403,073	403,073	403,073
Total business-type activities	5,500,041	5,116,695	-	(383,346)	(383,346)	(383,346)	(383,346)
General revenues:							
Unrestricted investment earnings			3,927	489,346	493,273	493,273	493,273
Total general revenues			3,927	489,346	493,273	493,273	493,273
Transfers			273,247	(273,247)	-	-	-
Change in net position			27,203	(167,247)	(140,044)	(140,044)	(140,044)
Net position - beginning			209,093	52,323,491	52,532,584	52,532,584	52,532,584
Net position - ending			\$ 236,296	\$ 52,156,244	\$ 52,392,540	\$ 52,392,540	\$ 52,392,540

See notes to the financial statements

**DUNES COMMUNITY DEVELOPMENT DISTRICT  
FLAGLER COUNTY, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2019**

	Major Fund General Fund
<b>ASSETS</b>	
Cash	\$ 42,568
Investments	54,452
Assessments receivable	1,072
Due from other funds	2,102
Prepays	2,016
Total assets	\$ 102,210
 <b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	\$ 14,249
Total liabilities	14,249
 Fund balances:	
Nonspendable:	
Prepaid items	2,016
Assigned to:	
Subsequent year's expenditures	53,297
Unassigned	32,648
Total fund balance	87,961
Total liabilities and fund balance	\$ 102,210
 Total fund balances - governmental funds	
	\$ 87,961
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The statement of net position includes those capital assets, net of any accumulated depreciation, in the net position of the government as a whole.	
	148,335
Net position of governmental activities	\$ 236,296

See notes to the financial statements

**DUNES COMMUNITY DEVELOPMENT DISTRICT  
FLAGLER COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

	Major Fund General Fund
<b>REVENUES</b>	
Maintenance assessments	\$ 190,928
Interest and other revenues	3,927
Total revenues	194,855
<b>EXPENDITURES</b>	
Current:	
General government	251,312
Maintenance and operations	178,500
Total expenditures	429,812
Excess (deficiency) of revenues over (under) expenditures	(234,957)
<b>OTHER FINANCING (USES)</b>	
Interfund transfers	273,247
Total other financing sources and (uses)	273,247
Net change in fund balance	38,290
Fund balance - beginning	49,671
Fund balance - ending	\$ 87,961
Net change in fund balances - total governmental funds	\$ 38,290
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation of capital assets is not recognized in the governmental fund financial statements, but is reported as an expense in the statement of activities.	(11,087)
Change in net position of governmental activities	\$ 27,203

See notes to the financial statements

**DUNES COMMUNITY DEVELOPMENT DISTRICT  
FLAGLER COUNTY, FLORIDA  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
SEPTEMBER 30, 2019**

	Major Funds		
	Water, Sewer and Effluent Reuse Enterprise Fund	Intracoastal Waterway Bridge Enterprise Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 52,626	\$ 106,620	\$ 159,246
Investments	4,689,734	11,194,664	15,884,398
Receivables	432,191	-	432,191
Due from other funds	-	9,936	9,936
Restricted assets:			
Investments	-	1,386,047	1,386,047
Noncurrent assets:			
Prepays	12,825	5,122	17,947
Deposits	1,000	-	1,000
Capital assets:			
Capital assets not being depreciated	8,168,105	85,000	8,253,105
Capital assets being depreciated	43,910,599	14,064,784	57,975,383
Less accumulated depreciation	<u>(23,267,108)</u>	<u>(7,151,642)</u>	<u>(30,418,750)</u>
Total capital assets, net	<u>28,811,596</u>	<u>6,998,142</u>	<u>35,809,738</u>
Total assets	<u>33,999,972</u>	<u>19,700,531</u>	<u>53,700,503</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	145,999	23,418	169,417
Due to other funds	12,038	-	12,038
Contracts/retainage payable	50,000	-	50,000
Noncurrent liabilities:			
Unearned revenue	818,173	494,631	1,312,804
Total liabilities	<u>1,026,210</u>	<u>518,049</u>	<u>1,544,259</u>
<b>NET POSITION</b>			
Investment in capital assets	28,811,596	6,998,142	35,809,738
Restricted for community projects	-	1,386,047	1,386,047
Unrestricted	4,162,166	10,798,293	14,960,459
Total net position	<u>\$ 32,973,762</u>	<u>\$ 19,182,482</u>	<u>\$ 52,156,244</u>

See notes to the financial statements

**DUNES COMMUNITY DEVELOPMENT DISTRICT  
FLAGLER COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
NET POSITION - PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

	Major Funds		Total
	Water, Sewer and Effluent Reuse Enterprise Fund	Intracoastal Waterways Bridge Enterprise Fund	
<b>OPERATING REVENUES</b>			
Charges for sales and services:			
Water	\$ 1,031,196	\$ -	\$ 1,031,196
Irrigation and effluent	1,336,234	-	1,336,234
Sewer	881,379	-	881,379
Connection fees	35,357	-	35,357
Meter fees	22,316	-	22,316
Tolls	-	1,668,803	1,668,803
Other	12,063	129,347	141,410
Total operating revenues	<u>3,318,545</u>	<u>1,798,150</u>	<u>5,116,695</u>
<b>OPERATING EXPENSES</b>			
Personnel services	1,090,453	530,108	1,620,561
Materials, supplies and services	1,806,885	552,447	2,359,332
Depreciation and amortization	1,207,626	312,522	1,520,148
Total operating expense	<u>4,104,964</u>	<u>1,395,077</u>	<u>5,500,041</u>
Operating income (loss)	<u>(786,419)</u>	<u>403,073</u>	<u>(383,346)</u>
<b>NON OPERATING REVENUE (EXPENSES)</b>			
Interest income	180,633	308,713	489,346
Total non operating revenue (expenses)	<u>180,633</u>	<u>308,713</u>	<u>489,346</u>
Income before transfers	(605,786)	711,786	106,000
Transfers out	<u>(128,247)</u>	<u>(145,000)</u>	<u>(273,247)</u>
Change in net position	(734,033)	566,786	(167,247)
Total net position - beginning	<u>33,707,795</u>	<u>18,615,696</u>	<u>52,323,491</u>
Total net position - ending	<u>\$ 32,973,762</u>	<u>\$ 19,182,482</u>	<u>\$ 52,156,244</u>

See notes to the financial statements

**DUNES COMMUNITY DEVELOPMENT DISTRICT  
FLAGLER COUNTY, FLORIDA  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

	Water, Sewer and Effluent Reuse Enterprise Fund	Intracoastal Waterway Bridge Enterprise Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers, users and other funds	\$ 3,316,883	\$ 1,649,658	\$ 4,966,541
Other operating cash receipts	12,063	129,347	141,410
Payments to suppliers	(2,325,593)	(525,541)	(2,851,134)
Payments to employees	(1,074,146)	(522,621)	(1,596,767)
Net cash provided (used) by operating activities	<u>(70,793)</u>	<u>730,843</u>	<u>660,050</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Purchases of capital assets	<u>(5,331,834)</u>	<u>(452,627)</u>	<u>(5,784,461)</u>
Net cash provided (used) by capital and related financing activities	<u>(5,331,834)</u>	<u>(452,627)</u>	<u>(5,784,461)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest earnings	180,633	308,713	489,346
Purchase of investments	<u>5,102,272</u>	<u>(494,825)</u>	<u>4,607,447</u>
Net cash provided (used) by investing activities	<u>5,282,905</u>	<u>(186,112)</u>	<u>5,096,793</u>
Net increase (decrease) in cash and cash equivalents	(119,722)	92,104	(27,618)
Cash and cash equivalents - October 1	<u>172,348</u>	<u>1,400,563</u>	<u>1,572,911</u>
Cash and cash equivalents - September 30	<u>\$ 52,626</u>	<u>\$ 1,492,667</u>	<u>\$ 1,545,293</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating Income (loss)	\$ (786,419)	\$ 403,073	\$ (383,346)
Adjustments to reconcile operating income (loss) to net cash provided (used) by Operating Activities:			
Depreciation and amortization	1,207,626	312,522	1,520,148
(Increase)/Decrease in receivables	10,401	-	10,401
(Increase)/Decrease in interfund receivable	-	204,544	204,544
(Increase)/Decrease in prepaids	77,305	60,441	137,746
Increase/(Decrease) in accounts payable	(268,234)	(26,048)	(294,282)
Increase/(Decrease) in interfund payable	(172,725)	-	(172,725)
Increase/(Decrease) in unearned revenue	(10,500)	(78,689)	(89,189)
Interfund transfer	(128,247)	(145,000)	(273,247)
Total Adjustments	<u>715,626</u>	<u>327,770</u>	<u>1,043,396</u>
Net cash provided (used) by operating activities	<u>\$ (70,793)</u>	<u>\$ 730,843</u>	<u>\$ 660,050</u>

See notes to the financial statements



**DUNES COMMUNITY DEVELOPMENT DISTRICT  
FLAGLER COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

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

Dunes Community Development District ("District") was created on October 22, 1985, under the "Uniform Community Development District Act of 1980", otherwise known as Chapter 190, Florida Statutes. Chapter 190 provides that a Community Development District with a size of 1,000 acres or more may be established by rule adopted under Chapter 120 by the Florida Land and Water Adjudicatory Commission. The District was established by adopting Rule 42E-1. Chapter 190 provides among other things the power to manage basic services for community development and to levy and assess non-ad valorem assessments for the financing and maintenance of improvements.

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Supervisors are elected by registered voters within the District. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, 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. For the most part, the effect of interfund activity has been removed from these statements.

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 POLICES (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 benefitted property within the District. Operating and Maintenance Assessments are based upon adopted budget and levied annually at a public hearing of the District. Debt Service Assessments are levied when Bonds are issued and assessed and collected on an annual basis. The District may collect assessments directly or utilize the uniform method of collection (Chapter 197.3632, Florida Statutes). Direct collected assessments are due as determined by annual assessment resolution adopted by the Board of Supervisors. Assessments collected under the uniform method are mailed by County Tax Collector on November 1 and due on or before March 31 of each year. Property owners may prepay a portion or all of the Debt Service Assessments on their property subject to various provisions in the Bond documents.

Assessments and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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 government reports the following major governmental funds:

### **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.

The following major proprietary funds are used by the District:

### **Water and Sewer and Effluent Reuse Fund**

This enterprise fund is used to account for the operations of the water and sewer utility services within the District. The costs of providing services to the residents are recovered primarily through user charges.

### **Intracoastal Waterway Bridge Enterprise Fund**

This enterprise fund is used to account for the operations of a toll bridge. The costs of providing services are recovered primarily through user charges.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. Operating expenses of the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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.

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

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

#### Restricted Assets

These assets represent cash and investments set aside pursuant to Bond covenants or contractual restrictions.

#### Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits (interest and non-interest bearing).

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 State Board of Administration's ("SBA") Local Government Surplus Funds Trust Fund ("Florida PRIME") is a "2a-7 like" pool. A "2a-7 like" pool is an external investment pool that is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, which comprises the rules governing money market funds. Thus, the pool operates essentially as a money market fund. The District has reported its investment in Florida PRIME at amortized cost for financial reporting purposes.

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.

#### Capital Contributions

Capital Contributions consists of infrastructure improvements conveyed by the Developer or other entities to the District and cash contributions made by the Developer for infrastructure improvements.

#### Unearned Revenue

Unearned revenue in the Water and Sewer and Effluent Reuse Enterprise Fund consists of connection fees advanced by one of the Developers. Revenue is considered unearned until the specific unit is connected to the water and sewer system. Unearned revenue in the Intracoastal Waterway Bridge Enterprise Fund consists of amounts collected for toll passes which have not been used up by the customers.

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

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

#### Capital Assets

Capital assets include property, plant and equipment, and infrastructure assets (e.g., roads, sidewalks and similar items). Assets used for general government activities are reported in the governmental 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 \$5,000 (amount not rounded) and an estimated useful life in excess of two years. 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, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	25 – 50
Roadways	26
Machinery and equipment	5

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.

#### Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized ratably over the life of the Bonds. Bonds payable are reported net of applicable premiums or discounts. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize Bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### 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 POLICES (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 Bond 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.

### NOTE 3 – BUDGETARY INFORMATION (Continued)

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 public 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 AND INVESTMENTS

#### Deposits

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

#### Investments

The District's investments were held as follows at September 30, 2019:

<u>Investment</u>	<u>Maturities</u>	<u>Amortized Cost</u>	<u>Credit Risk</u>
Investment in Local Government Surplus Funds Trust Fund (Florida PRIME)	Weighted average of the fund portfolio: 37 days	\$ 17,324,897	S&P AAAM
Total Investments		<u>\$ 17,324,897</u>	

*Credit risk* – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

*Concentration risk* – The District places no limit on the amount the District may invest in any one issuer.

*Interest rate risk* – The District does not have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

*Fair Value Measurement* – When applicable, the District measures and records its investments using fair value measurement guidelines established in accordance with GASB Statements. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques.

These guidelines recognize a three-tiered fair value hierarchy, in order of highest priority, as follows:

- *Level 1:* Investments whose values are based on unadjusted quoted prices for identical investments in active markets that the District has the ability to access;
- *Level 2:* Investments whose inputs - other than quoted market prices - are observable either directly or indirectly; and,
- *Level 3:* Investments whose inputs are unobservable.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the entire fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

#### NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

##### Investments (Continued)

Money market investments that have a maturity at the time of purchase of one year or less and are held by governments other than external investment pools should be measured at amortized cost. For external investment pools that qualify to be measured at amortized cost, the pool's participants should also measure their investments in that external investment pool at amortized cost for financial reporting purposes. Accordingly, the District's investments have been reported at amortized cost above.

*External Investment Pool* – With regard to redemption gates, Chapter 218.409(8)(a), Florida Statutes, states that “The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days.”

With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

As of September 30, 2019, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100% of their account value.

#### NOTE 5 – RECEIVABLES

Receivables at September 30, 2019 are as follows:

	Water, Sewer and Effluent Reuse Enterprise Fund		Totals
Receivables:			
Accounts	\$ 432,191	\$ 432,191	\$ 432,191
	<u>\$ 432,191</u>	<u>\$ 432,191</u>	<u>\$ 432,191</u>

## NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2019 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental Activities</u>				
Capital assets being depreciated:				
Infrastructure	\$ 155,203	\$ -	\$ -	\$ 155,203
Machinery and equipment	36,033	-	-	36,033
Total capital assets, being depreciated	191,236	-	-	191,236
Less accumulated depreciation for:				
Infrastructure	12,157	3,880	-	16,037
Machinery and equipment	19,657	7,207	-	26,864
Total accumulated depreciation	31,814	11,087	-	42,901
Total capital assets, being depreciated, net	159,422	(11,087)	-	148,335
Governmental activities capital assets, net	\$ 159,422	\$ (11,087)	\$ -	\$ 148,335
	Beginning Balance	Additions	Reductions	Ending Balance
<u>Business-type Activities</u>				
Capital assets not being depreciated:				
Land	\$ 960,488	\$ -	\$ -	\$ 960,488
Construction in progress	2,581,845	5,025,072	-	7,606,917
Total capital assets, not being depreciated	3,542,333	5,025,072	-	8,567,405
Capital assets being depreciated:				
Infrastructure	51,913,026	138,327	-	52,051,353
Roadways	1,873,188	-	-	1,873,188
Machinery and equipment	3,633,220	481,856	(378,538)	3,736,538
Total capital assets, being depreciated	57,419,434	620,183	(378,538)	57,661,079
Less accumulated depreciation for:				
Infrastructure	25,640,633	1,364,015	-	27,004,648
Roadways	288,183	72,046	-	360,229
Machinery and equipment	3,348,319	84,087	(378,537)	3,053,869
Total accumulated depreciation	29,277,135	1,520,148	(378,537)	30,418,746
Total capital assets, being depreciated, net	28,142,299	(899,965)	(1)	27,242,333
Business-type activities capital assets, net	\$ 31,684,632	\$ 4,125,107	\$ (1)	\$ 35,809,738

Depreciation expense was charged to function/programs of the primary government as follows:

<u>Governmental Activities:</u>	
General government	\$ 3,880
Maintenance and operations	7,207
Total depreciation expense	<u>\$ 11,087</u>
<u>Business-type Activities</u>	
Water and sewer utilities	\$ 1,207,626
Toll bridge operations	312,522
Total depreciation expense	<u>\$ 1,520,148</u>



## NOTE 7 – WATER, SEWER, AND EFFLUENT REUSE TRANSACTIONS

In accordance with the Utility Connection Collection and Reimbursement Agreement amounts advanced as connection fees in previous years are reduced by the portion of the connection fees collected from outside customers during the fiscal year. On June 18, 2013, the Developer, HD Associates, LP, transferred its rights under the Utility Connection Collection & Reimbursement Agreement to the Hammock Dunes Owners Association, Inc. (HDOA). The transfer provided that all potential payments made after April 1, 2013 under the Agreements were to be made to the HDOA. During the fiscal year ended September 30, 2019, HDOA received refunds of \$10,500.

## NOTE 8 – INTER-LOCAL AGREEMENTS

The District has entered into an Inter-local Agreement with the City of Palm Coast (“City”), Florida pertaining to the provision of utility services whereby the City shall supply and the District shall accept at the point of delivery up to a maximum daily volume of 2.6 million gallons per day of reclaimed water subject to the terms and conditions outlined in the agreement. The City and the District shall obtain, maintain and amend, at their own expense, all permits, consents, and approvals as required by law for performance of their respective obligations outlined in the Inter-local Agreement.

Whenever either the District or the City is confronted by an emergency water condition and desires to purchase available potable water from the other, the requesting party shall notify the selling party, in writing or by phone, and request that up to 0.5 million gallons per day of available potable water be transferred to the requesting party for a continuous period not to exceed 60 days. The selling party shall respond as soon as possible in an emergency condition or within twenty-four hours. The duration of the transfer may be extended by mutual agreement of the parties.

On December 19, 2011, the District entered into an Inter-local Agreement with Flagler County (“County”), whereby the District will make certain surplus bridge funds available to the County for community projects to be approved by the District. The community projects shall be within the boundaries of the District or directly adjacent to the District boundaries. The District agreed to provide an initial contribution of \$1 million, of which \$350,000 is to be used for certain improvements in the Hammock Dunes DRI. In addition, commencing on October 1, 2013 and ending on October 1, 2016, the District shall make available to the County \$200,000 per year for mutually agreed upon beneficial community projects. During a prior fiscal year, the agreement was amended to allow each party, at their sole discretion, to allocate the specific allocation of one half of the total funds or community projects. As a result, during the prior fiscal years, the District completed a sidewalk construction and other projects that were applied to this commitment. During the current fiscal year, there were no additional projects completed and applied to this commitment. The restricted net position of \$1,386,047 at September 30, 2019 in the Intracoastal Waterway Bridge Fund relates to the remaining community projects.

## NOTE 9 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables at September 30, 2019 were as follows:

Fund	Receivable	Payable
General	\$ 2,102	\$ -
Bridge	9,936	-
Water and sewer	-	12,038
Total	<u>\$ 12,038</u>	<u>\$ 12,038</u>

The outstanding balances between funds result primarily from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made. There are balances owed by the general and water and sewer funds to the bridge fund for payroll costs covered by the bridge fund. In addition, there is a balance owed by the water and sewer fund to the general fund for water and sewer fund expenses covered by the general fund which are to be reimbursed to the general fund.

**NOTE 9 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)**

Interfund transfers for the fiscal year ended September 30, 2019 were as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Transfer out</u>
General	\$ 273,247	\$ -
Bridge	-	145,000
Water and sewer	-	128,247
Total	<u>\$ 273,247</u>	<u>\$ 273,247</u>

Transfers are used to move revenues from the fund where collection occurs to the fund where funds have been reallocated for use. In the case of the District, transfers from the enterprise funds to the general fund were approved by the Board in the fiscal year 2019 budget to allocate surplus funds to offset the cost of general operations.

**NOTE 10 – RETIREMENT PLANS**

The District maintains a non-qualified defined contribution plan for employees who meet a certain pay requirement. The District's required contribution is 6% of the total salaries of qualified participants. Total salaries of qualified participants for the fiscal year ended September 30, 2019 were \$218,980. Employer contributions for the period were approximately \$12,476.

Starting in the current fiscal year, the District maintains a Money Purchase 401(a) plan for employees who meet a certain pay requirement. The District's required contribution is 6% of the total salaries of qualified participants. Total salaries of qualified participants for the fiscal year ended September 30, 2019 were \$865,802. Employer contributions for the period were approximately \$51,491.

Starting in the current fiscal year, the District maintains a 457(b) plan for employees who meet a certain pay requirement. The District's required contribution is based on a matching requirement of employees' maximum contributions of 2% of the total salaries of qualified participants. Total salaries of qualified participants for the fiscal year ended September 30, 2019 were \$1,291,615. Employer contributions for the period were approximately \$23,459 and employee contributions for the period were approximately \$40,735.

**NOTE 11 – MANAGEMENT COMPANY**

The District has contracted with a management company to perform management advisory services, which include financial and accounting advisory services. Certain employees of the management company also serve as officers of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, computer and other administrative costs.

**NOTE 12 – 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. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. There were no settled claims during the past three years.

The District is involved in various claims and litigation arising in the ordinary course of operations, none of which, in the opinion of the Board of Supervisors and District Manager, will have a material effect on the District's financial position except as otherwise disclosed.

**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

As of September 30, 2019, the District had commitment on open contracts for various capital and maintenance projects. The contracts totaled approximately \$5,226,051, of which approximately \$5,743 was uncompleted at September 30, 2019.

**DUNES COMMUNITY DEVELOPMENT DISTRICT  
FLAGLER COUNTY, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUES</b>				
Maintenance assessments	\$ 197,000	\$ 197,000	\$ 190,928	\$ (6,072)
Interest income	2,000	2,000	3,927	1,927
Total revenues	<u>199,000</u>	<u>199,000</u>	<u>194,855</u>	<u>(4,145)</u>
<b>EXPENDITURES</b>				
Current:				
General government	270,892	585,192	251,312	333,880
Maintenance and operations	148,000	148,000	178,500	(30,500)
Capital outlay	100,000	100,000	-	100,000
Total expenditures	<u>518,892</u>	<u>833,192</u>	<u>429,812</u>	<u>403,380</u>
Excess (deficiency) of revenues over (under) expenditures	(319,892)	(634,192)	(234,957)	399,235
<b>OTHER FINANCING SOURCES (USES)</b>				
Carryforward surplus	46,645	46,645	-	(46,645)
Transfer in	273,247	587,547	273,247	(314,300)
Total other financing sources and (uses)	<u>319,892</u>	<u>634,192</u>	<u>273,247</u>	<u>(360,945)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	38,290	<u>\$ 38,290</u>
Fund balance - beginning			<u>49,671</u>	
Fund balance - ending			<u>\$ 87,961</u>	

See notes to required supplementary information

**DUNES COMMUNITY DEVELOPMENT DISTRICT  
FLAGLER COUNTY, FLORIDA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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, 2019 was amended to increase appropriations by \$314,300 and increase other financing sources by \$314,300. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2019.



**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  
Dunes Community Development District  
Flagler 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, business type activities and each major fund of Dunes Community Development District, Flagler County, Florida ("District") as of and for the fiscal year ended September 30, 2019, 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 30, 2020.

**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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

We noted certain matters that we reported to management of the District in a separate letter dated June 30, 2020.

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 responses 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 30, 2020



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**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  
Dunes Community Development District  
Flagler County, Florida

We have examined Dunes Community Development District, Flagler 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, 2019. Management is responsible for District's compliance with those requirements. Our responsibility is to express an opinion on 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, 2019.

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 Dunes Community Development District, Flagler County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Grau & Associates*

June 30, 2020





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

To the Board of Supervisors  
Dunes Community Development District  
Flagler County, Florida

**Report on the Financial Statements**

We have audited the accompanying basic financial statements of Dunes Community Development District ("District") as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated June 30, 2020.

**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 on 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 those reports, which are dated June 30, 2020, should be considered in conjunction with this management letter.

**Purpose of this Letter**

The purpose of this letter is to comment on those matters described in Rule 10.550 as required by the Rules of the Auditor General of 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 Dunes Community Development District, Flagler County, Florida and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Dunes Community Development District, Flagler 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 30, 2020

## REPORT TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

#### 2019-01 Internal Control Testing – Credit Card Disbursements:

Observation: During internal control testing for a selected credit card disbursement, we were unable to verify the nature and purpose of certain credit card transactions since support was either not available or did not conclusively pertain to transactions. Amounts were not considered significant as they were under \$800.

Recommendation: The District should maintain the proper invoice, receipt, or other support for all credit card disbursements.

Management Response: The District agrees with the auditor's recommendation and makes every effort to maintain proper support for all purchases of the District. Even though it was a small amount of disbursements for which support was not provided, the District will take additional steps to ensure support for all purchases are available for review in the future.

### II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

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

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

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

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2018.

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, 2019, 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, 2019, except as noted above.

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

5. The 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, 2019. 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.