

**East Nassau Stewardship District**

**ANNUAL FINANCIAL REPORT**

**September 30, 2019**

**East Nassau Stewardship District**

**ANNUAL FINANCIAL REPORT**

**September 30, 2019**

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## REPORT OF INDEPENDENT AUDITOR'S

To the Board of Supervisors  
East Nassau Stewardship District  
Nassau County, Florida

### Report on the Financial Statements

We have audited the accompanying basic financial statements of East Nassau Stewardship District as of and for the year ended September 30, 2019, and related notes to the 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 an opinion 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. 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 opinion.

Fort Pierce / Stuart

To the Board of Supervisors  
East Nassau Stewardship District

## Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, and each major fund of East Nassau Stewardship District as of September 30, 2019, and the respective changes in financial position and the budgetary comparisons for the General and Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Governmental accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by *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 in accordance with governmental auditing standards generally accepted in the United States of America, which consisted principally of inquires of management regarding 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 a report dated May 26, 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 and contracts.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Nassau Stewardship District's internal control over financial reporting and compliance.



Berger, Toombs, Elam, Gaines & Frank  
Certified Public Accountants PL  
Fort Pierce, Florida

May 26, 2020

**East Nassau Stewardship District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2019**

Management's discussion and analysis of East Nassau Stewardship District's (the "District") financial performance provides an objective and easily readable analysis of the District's financial activities. The analysis provides summary financial information for the District and should be read in conjunction with the District's financial statements.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The District's basic financial statements comprise three components; 1) *Government-wide financial statements*, 2) *Fund financial statements*, and 3) *Notes to financial statements*. The *Government-wide financial statements* present an overall picture of the District's financial position and results of operations. The *Fund financial statements* present financial information for the District's major funds. The *Notes to financial statements* provide additional information concerning the District's finances.

The *Government-wide financial statements* are the **statement of net position** and the **statement of activities**. These statements use accounting methods similar to those used by private-sector companies. Emphasis is placed on the net position of governmental activities and the change in net position. Governmental activities are primarily supported by special assessments.

The **statement of net position** presents information on all assets and liabilities of the District, with the difference between assets and liabilities reported as net position. Net position is reported in three categories; 1) net investment in capital assets, 2) restricted, and 3) unrestricted. Assets, liabilities, and net position are reported for all Governmental activities.

The **statement of activities** presents information on all revenues and expenses of the District and the change in net position. Expenses are reported by major function and program revenues relating to those functions are reported, providing the net cost of all functions provided by the District. To assist in understanding the District's operations, expenses have been reported as governmental activities. Governmental activities financed by the District include general government and physical environment.

*Fund financial statements* present financial information for governmental funds. These statements provide financial information for the major funds of the District. Governmental fund financial statements provide information on the current assets and liabilities of the funds, changes in current financial resources (revenues and expenditures), and current available resources.

**East Nassau Stewardship District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2019**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

*Fund financial statements* include a **balance sheet** and a **statement of revenues, expenditures and changes in fund balances** for all governmental funds. A **statement of revenues, expenditures, and changes in fund balances – budget and actual** is provided for the District's General Fund. *Fund financial statements* provide more detailed information about the District's activities. Individual funds are established by the District to track revenues that are restricted to certain uses or to comply with legal requirements.

The *government-wide financial statements* and the *fund financial statements* provide different pictures of the District. The *government-wide financial statements* provide an overall picture of the District's financial standing. These statements are comparable to private-sector companies and give a good understanding of the District's overall financial health and how the District paid for the various activities, or functions, provided by the District. All assets of the District, including buildings and improvements, and infrastructure are reported in the **statement of net position**. All liabilities, including principal outstanding on bonds are included. The **statement of activities** includes depreciation on all long-lived assets of the District, but transactions between the different functions of the District have been eliminated in order to avoid "doubling up" the revenues and expenses. The *fund financial statements* provide a picture of the major funds of the District. In the case of governmental activities, outlays for long lived assets are reported as expenditures and long-term liabilities, such as general obligation bonds, are not included in the fund financial statements. To provide a link from the *fund financial statements* to the *government-wide financial statements*, reconciliations are provided from the *fund financial statements* to the *government-wide financial statements*.

*Notes to financial statements* provide additional detail concerning the financial activities and financial balances of the District. Additional information about the accounting practices of the District, investments of the District, capital assets and long-term debt are some of the items included in the *notes to financial statements*.

**Financial Highlights**

The following are the highlights of financial activity for the year ended September 30, 2019.

- ◆ The District's liabilities exceeded assets by \$(362,852), net position. Net investment in capital assets was \$(433,156) and unrestricted net position was \$70,304.
- ◆ Governmental activities revenues totaled \$583,447 while governmental activities expenses totaled \$882,133.

**East Nassau Stewardship District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2019**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Financial Analysis of the District**

The following schedule provides a summary of the assets, liabilities and net position of the District and is presented by category for comparison purposes.

**Net Position**

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
Current assets	\$ 227,247	\$ 87,445
Restricted assets	1,350,903	-
Capital assets	3,675,941	-
Total Assets	5,254,091	87,445
Current liabilities	241,943	151,611
Non-current liabilities	5,375,000	-
Total Liabilities	5,616,943	151,611
Net Position		
Net investment in capital assets	(433,156)	-
Unrestricted	70,304	(64,166)
Total Net Position	\$ (362,852)	\$ (64,166)

The increase in current assets is the result of revenues exceeding expenditures in the General and Special Revenue Funds in the current year.

The increase in current liabilities is related to the current portion of bonds payable in the current year.

The increase in restricted assets, capital assets and non-current liabilities is related to new debt issued in the current year to fund a capital project.

**East Nassau Stewardship District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2019**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Financial Analysis of the District (Continued)**

The following schedule provides a summary of the changes in net position of the District and is presented by category for comparison purposes.

**Change In Net Position**

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
Program Revenues		
Charges for services	\$ 425,604	\$ -
Operating contributions	108,509	162,699
Investment income	49,334	-
Total Revenues	<u>583,447</u>	<u>162,699</u>
Expenses		
General government	291,647	207,510
Physical environment	33,041	19,355
Interest and other charges	557,445	-
Total Expenses	<u>882,133</u>	<u>226,865</u>
Change in Net Position	(298,686)	(64,166)
Net Position - Beginning of Year	<u>(64,166)</u>	<u>-</u>
Net Position - End of Year	<u>\$ (362,852)</u>	<u>\$ (64,166)</u>

The increase in charges for services and decrease in operating contributions is related to special assessments were levied for the first time in the current year.

The increase in investment income is related to the bond proceeds that were invested in the current year.

The increase in interest on long-term debt is related to the initial interest and bond issuance costs in the current year.



**East Nassau Stewardship District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2019**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Capital Asset Activity**

The following schedule provides a summary of the District's capital assets as of September 30, 2019 and 2018.

<u>Description</u>	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Capital assets not being depreciated:		
Construction in progress	<u>\$ 3,675,941</u>	<u>\$ -</u>

**General Fund Budgetary Highlights**

Actual expenditures were less than the final budget because there were lower legal, engineering and contingency expenditures than were anticipated.

The September 30, 2019 budget was amended for increased legal fees and contingency expenditures.

**Debt Management**

Governmental Activities debt includes the following:

In December 2018, the District issued \$5,460,000 Series 2018 Special Assessment Revenue Bonds. These bonds were issued to finance a portion of the cost of acquisition, construction, installation, and equipping of the Series 2018 Project. The balance outstanding on the Series 2018 Bonds at September 30, 2019 was \$5,460,000.

**Economic Factors and Next Year's Budget**

The District expects to complete the capital project and the effects on the financial position or results of operations of the District in the fiscal year ended September 30, 2020 cannot be determined.

**Request for Information**

The financial report is designed to provide a general overview of East Nassau Stewardship District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the East Nassau Stewardship District's Finance Department at 2300 Glades Road, Suite 410W, Boca Raton, Florida 33431.

**East Nassau Stewardship District**  
**STATEMENT OF NET POSITION**  
**September 30, 2019**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets	
Cash	\$ 191,755
Assessments receivable	245
Due from other	89
Due from developer	34,978
Prepaid expenses	180
Total Current Assets	227,247
Non-Current Assets	
Restricted Assets	
Restricted investments	1,350,903
Capital Assets, Not Being Depreciated	
Construction in progress	3,675,941
Total Non-Current Assets	5,026,844
Total Assets	5,254,091
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable and accrued expenses	30,355
Contracts payable	4,963
Due to developer	6,500
Accrued interest payable	115,125
Bonds payable	85,000
Total Current Liabilities	241,943
Non-Current Liabilities	
Bonds payable	5,375,000
Total Liabilities	5,616,943
<b>NET POSITION</b>	
Net investment in capital assets	(433,156)
Unrestricted	70,304
Net Position	\$ (362,852)

See accompanying notes to financial statements.

**East Nassau Stewardship District**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2019**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		<b>Net (Expenses) Revenues and Changes in Net Position</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>
Governmental Activities				
General government	\$ (291,647)	\$ 204,555	\$ 108,509	\$ 21,417
Physical environment	(33,041)	205,011	-	171,970
Interest and other charges	(557,445)	16,038	-	(541,407)
Total Governmental Activities	\$ (882,133)	\$ 425,604	\$ 108,509	(348,020)
				49,334
				(298,686)
				368,990
				\$ 70,304

See accompanying notes to financial statements.

**East Nassau Stewardship District**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**September 30, 2019**

	General	Special Revenue - Widlight	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 191,755	\$ -	\$ -	\$ -	\$ 191,755
Assessments receivable	11	234	-	-	245
Due from other funds	-	175,884	-	-	175,884
Due from other	-	89	-	-	89
Due from developer	34,978	-	-	-	34,978
Prepaid expenses	180	-	-	-	180
Restricted Assets					
Restricted investments	-	-	339,340	1,011,563	1,350,903
<b>Total Assets</b>	<b>\$ 226,924</b>	<b>\$ 176,207</b>	<b>\$ 339,340</b>	<b>\$ 1,011,563</b>	<b>\$ 1,754,034</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 30,355	\$ -	\$ -	\$ -	\$ 30,355
Contracts payable	-	-	-	4,963	4,963
Due to other funds	175,884	-	-	-	175,884
Due to developer	6,500	-	-	-	6,500
<b>Total Liabilities</b>	<b>212,739</b>	<b>-</b>	<b>-</b>	<b>4,963</b>	<b>217,702</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenues	34,978	-	-	-	34,978
<b>FUND BALANCES</b>					
Nonspendable - prepaid expense	180	-	-	-	180
Restricted for debt service	-	-	339,340	-	339,340
Restricted for capital projects	-	-	-	1,006,600	1,006,600
Committed for special revenue	-	176,207	-	-	176,207
Unassigned	(20,973)	-	-	-	(20,973)
<b>Total Fund Balances</b>	<b>(20,793)</b>	<b>176,207</b>	<b>339,340</b>	<b>1,006,600</b>	<b>1,501,354</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 226,924</b>	<b>\$ 176,207</b>	<b>\$ 339,340</b>	<b>\$ 1,011,563</b>	<b>\$ 1,754,034</b>

See accompanying notes to financial statements.

**East Nassau Stewardship District**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**September 30, 2019**

Total Governmental Fund Balances	\$ 1,501,354
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, construction in progress, used in governmental activities are not current financial resources and; therefore, are not reported at the fund level.	3,675,941
Long-term liabilities, bonds payable, are not due and payable in the current period and; therefore, are not reported at the fund level.	(5,460,000)
Accrued interest expense for long-term debt is not a current financial use and, therefore, is not reported at the fund level.	(115,125)
Unavailable revenues are recognized as deferred inflows at the fund level, but this amount is recognized as revenues at the government-wide level.	<u>34,978</u>
Net Position of Governmental Activities	<u><u>\$ (362,852)</u></u>

See accompanying notes to financial statements.

**East Nassau Stewardship District**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2019**

	General	Special Revenue - Wildlight	Debt Service	Capital Projects	Total Governmental Funds
<b>Revenues</b>					
Special assessments	\$ 164,526	\$ 210,062	\$ 16,038	\$ -	390,626
Developer contributions	150,432	-	-	-	150,432
Investment income	-	-	5,421	43,913	49,334
Total Revenues	<u>314,958</u>	<u>210,062</u>	<u>21,459</u>	<u>43,913</u>	<u>590,392</u>
<b>Expenditures</b>					
<b>Current</b>					
General government	290,833	814	-	-	291,647
Physical environment	-	33,041	-	-	33,041
Capital outlay	-	-	-	3,675,941	3,675,941
<b>Debt Service</b>					
Interest	-	-	105,915	-	105,915
Other debt service	-	-	336,405	-	336,405
Total Expenditures	<u>290,833</u>	<u>33,855</u>	<u>442,320</u>	<u>3,675,941</u>	<u>4,442,949</u>
Excess of revenues over/(under) expenditures	<u>24,125</u>	<u>176,207</u>	<u>(420,861)</u>	<u>(3,632,028)</u>	<u>(3,852,557)</u>
<b>Other Financing Sources/(Uses)</b>					
Transfers in	-	-	49,411	2,865	52,276
Transfers out	-	-	(2,865)	(49,411)	(52,276)
Issuance of long-term debt	-	-	763,066	4,696,934	5,460,000
Total Other Financing Sources/(Uses)	<u>-</u>	<u>-</u>	<u>809,612</u>	<u>4,650,388</u>	<u>5,460,000</u>
Net change in fund balances	24,125	176,207	388,751	1,018,360	1,607,443
Fund Balances - October 1, 2018	<u>(44,918)</u>	<u>-</u>	<u>(49,411)</u>	<u>(11,760)</u>	<u>(106,089)</u>
Fund Balances - September 30, 2019	<u>\$ (20,793)</u>	<u>\$ 176,207</u>	<u>\$ 339,340</u>	<u>\$ 1,006,600</u>	<u>\$ 1,501,354</u>

See accompanying notes to financial statements.

**East Nassau Stewardship District  
RECONCILIATION OF THE STATEMENT  
OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2019**

Net Change in Fund Balances - Total Governmental Funds \$ 1,607,443

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

Governmental funds report capital outlays as expenditures. However, at the government-wide level the cost incurred are capitalized as capital assets and depreciated over their estimated useful lives. This is the amount of capital outlay in the current period. 3,675,941

Long-term debt proceeds are reflected as an other financing source at the fund level, but the proceeds increase non-current liabilities at the government-wide level. (5,460,000)

At the fund level interest on long-term debt is recognized when due; however, at the government-wide level interest on long-term debt is accrued. This is the change in accrual in the current period. (115,125)

At the fund level, revenues are recognized when they become available, however, revenues are recognized when they are earned at the government-wide level. This is the amount of the change in earned revenue that was not available. (6,945)

Change in Net Position of Governmental Activities \$ (298,686)

See accompanying notes to financial statements.

**East Nassau Stewardship District**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended September 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Special assessments	\$ 164,499	\$ 164,526	\$ 164,526	\$ -
Developer contributions	-	222,618	150,432	(72,186)
Total Revenues	<u>164,499</u>	<u>387,144</u>	<u>314,958</u>	<u>(72,186)</u>
Expenditures				
Current				
General government	<u>164,499</u>	<u>342,026</u>	<u>290,833</u>	<u>51,193</u>
Net Change in Fund Balances	-	45,118	24,125	(20,993)
Fund Balances - October 1, 2018	<u>200</u>	<u>(44,918)</u>	<u>(44,918)</u>	<u>-</u>
Fund Balances - September 30, 2019	<u>\$ 200</u>	<u>\$ 200</u>	<u>\$ (20,793)</u>	<u>\$ (20,993)</u>

See accompanying notes to financial statements.



**East Nassau Stewardship District**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUND - WILDLIGHT**  
**For the Year Ended September 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Special assessments	\$ 209,528	\$ 209,528	\$ 210,062	\$ 534
Expenditures				
Current				
General government	2,162	2,162	814	1,348
Physical environment	207,366	207,366	33,041	174,325
Total Expenditures	<u>209,528</u>	<u>209,528</u>	<u>33,855</u>	<u>175,673</u>
Net Change in Fund Balances	-	-	176,207	176,207
Fund Balances - October 1, 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - September 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 176,207</u>	<u>\$ 176,207</u>

See accompanying notes to financial statements.

**East Nassau Stewardship District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

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

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

**1. Reporting Entity**

The District was established as an Independent Special District on June 6, 2017, pursuant to Chapter 2017-206 Laws of Florida, and Chapter 189, Florida Statutes, as amended (the "Act"), and by Ordinance 2017-35 of St. Johns County, Florida, as a Community Development District. The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of the infrastructure necessary for community development within its jurisdiction. The District is authorized to issue bonds for the purpose, among others, of financing, funding, planning, establishing, acquiring, constructing district roads, landscaping, and other basic infrastructure projects within or outside the boundaries of the East Nassau Stewardship District. The District is governed by a five-member Board of Supervisors. Four of the five the Supervisors are employed by the Developer.

As required by GAAP, these financial statements present the East Nassau Stewardship District (the primary government) as a stand-alone government. The reporting entity for the District includes all functions of government in which the District's Board exercises oversight responsibility including, but not limited to, financial interdependency, selection of governing authority, designation of management, significant ability to influence operations and accountability for fiscal matters.

Based upon the application of the above-mentioned criteria as set forth in Governmental Accounting Standards Board, The Financial Reporting Entity, the District has identified no component units.

**2. Measurement Focus and Basis of Accounting**

The basic financial statements of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

**East Nassau Stewardship District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2019**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2. Measurement Focus and Basis of Accounting (Continued)**

**a. Government-wide Financial Statements**

Government-wide financial statements report all non-fiduciary information about the reporting government as a whole. These statements include all the governmental activities of the primary government. The effect of interfund activity has been removed from these statements.

Governmental activities are supported by special assessments and interest. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program

Amounts paid to acquire capital assets are capitalized as assets, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source.

Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

**b. Fund Financial Statements**

The underlying accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually.

**East Nassau Stewardship District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2019**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2. Measurement Focus and Basis of Accounting (Continued)**

**b. Fund Financial Statements (Continued)**

**Governmental Funds**

The District classifies fund balance according to Governmental Accounting Standards Board Statement 54 – Fund Balance Reporting and Governmental Fund Type Definitions. The Statement requires the fund balance for governmental funds to be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The District has various policies governing the fund balance classifications.

*Nonspendable Fund Balance* – This classification consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

*Restricted Fund Balance* – This classification includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

*Assigned Fund Balance* – This classification consists of the Board of Supervisors' intent to be used for specific purposes, but are neither restricted nor committed. The assigned fund balances can also be assigned by the District's management company.

*Unassigned Fund Balance* – This classification is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Unassigned fund balance is considered to be utilized first when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

*Fund Balance Spending Hierarchy* – For all governmental funds except special revenue funds, when restricted, committed, assigned, and unassigned fund balances are combined in a fund, qualified expenditures are paid first from restricted or committed fund balance, as appropriate, then assigned and finally unassigned fund balances.

*Committed Fund Balance* – This classification consists of amounts that can only be used for specific purposes adopted by the Board via resolution. This classification also includes obligations which require a formal approval from the Board and funding has been set aside for the purpose. This type of fund balance can only be removed by the Board through the same approval process.

**East Nassau Stewardship District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2. Measurement Focus and Basis of Accounting (Continued)**

**b. Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collected within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Interest associated with the current fiscal period is considered to be an accrual item and so has been recognized as revenue of the current fiscal period.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of “available spendable resources”. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources are expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability.

Debt service expenditures are recorded only when payment is due.

**3. Basis of Presentation**

**a. Governmental Major Funds**

General Fund – The General Fund is the District’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Fund-Wildlight – The Special Revenue Fund-Wildlight accounts for the activity of an area within the District known as Wildlight.

**East Nassau Stewardship District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2019**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3. Basis of Presentation (Continued)**

**a. Governmental Major Funds (Continued)**

Debt Service Fund – The Debt Service Fund accounts for the activity related to the issuance of long-term debt.

Capital Projects Fund – The Capital Projects Fund accounts for the construction of infrastructure improvements within the District.

**b. Non-current Governmental Assets/Liabilities**

GASB Statement 34 requires that non-current governmental assets, such as land and improvements, and non-current governmental liabilities, such as general obligation bonds and due to developer be reported in the governmental activities column in the government-wide Statement of Net Position.

**4. Assets, Liabilities, and Net Position or Equity**

**a. Cash and Investments**

Florida Statutes require state and local governmental units to deposit monies with financial institutions classified as "Qualified Public Depositories," a multiple financial institution pool whereby groups of securities pledged by the various financial institutions provide common collateral from their deposits of public funds. This pool is provided as additional insurance to the federal depository insurance and allows for additional assessments against the member institutions, providing full insurance for public deposits.

The District is authorized to invest in those financial instruments as established by Section 218.415, Florida Statutes. The authorized investments consist of:

1. Direct obligations of the United States Treasury;
2. The Local Government Surplus Funds Trust or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperative Act of 1969;
3. Interest-bearing time deposits or savings accounts in authorized qualified public depositories;
4. Securities and Exchange Commission, registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

**East Nassau Stewardship District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2019**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**a. Cash and Investments (Continued)**

Cash equivalents include time deposits and all highly liquid debt instruments with original maturities of three months or less and held in a qualified public depository as defined by Section 280.02, Florida Statutes.

**b. Deferred Inflows of Resources**

Deferred inflows of resources represent an acquisition of net position that applies to a future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until then. The District only has one item that qualifies for reporting in this category. Deferred revenues are reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that amounts become available.

**c. Budgets**

Budgets are prepared and adopted after public hearings for the governmental funds, pursuant to Chapter 2017-206, Laws of Florida, and Chapter 189, Florida Statutes. The District utilizes the same basis of accounting for budgets as it does for revenues and expenditures in its various funds. The legal level of budgetary control is at the fund level. All budgeted appropriations lapse at year end. A formal budget is adopted for the general fund. As a result, deficits in the budget columns of the accompanying financial statements may occur.

**NOTE B – CASH AND INVESTMENTS**

All deposits are held in qualified public depositories and are included on the accompanying balance sheet as cash and investments.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk; however, they follow the provisions of Chapter 280, Florida Statutes regarding deposits and investments. As of September 30, 2019, the District's bank balance was \$191,935 and the carrying value was \$191,755. Exposure to custodial credit risk was as follows. The District maintains all deposits in a qualified public depository in accordance with the provisions of Chapter 280, Florida Statutes, which means that all deposits are fully insured by Federal Depositors Insurance or collateralized under Chapter 280, Florida Statutes.

**East Nassau Stewardship District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2019**

**NOTE B – CASH AND INVESTMENTS (CONTINUED)**

As of September 30, 2019, the District had the following investments and maturities:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
First American Government Obligation Fund Class Z	24 days*	<u>\$1,350,903</u>

\* Weighted average maturity

The District categorizes its fair value measurements within the fair value hierarchy recently established by generally accepted accounting principles. The fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The District uses a market approach in measuring fair value that uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities, or groups of assets and liabilities.

Assets or liabilities are classified into one of three levels. Level 1 is the most reliable and is based on quoted price for identical assets, or liabilities, in an active market. Level 2 uses significant other observable inputs when obtaining quoted prices for identical or similar assets, or liabilities, in markets that are not active. Level 3 is the least reliable and uses significant unobservable inputs that uses the best information available under the circumstances, which includes the District's own data in measuring unobservable inputs.

Based on the criteria in the preceding paragraph, the investment in First American Government Obligation Fund is a Level 1 asset.

Interest Rate Risk

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

Credit Risk

The District's investments in commercial paper and government loans are limited by state statutory requirements and bond compliance. The District has no investment policy that would further limit its investment choices. As of September 30, 2019, the District's investments in First Government Obligation Fund was rated AAAM by Standard and Poor's.



**East Nassau Stewardship District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2019**

**NOTE B – CASH AND INVESTMENTS (CONTINUED)**

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one fund. The investments in First Government Obligation Fund are 100% of the District's total investments.

The types of deposits and investments and their level of risk exposure as of September 30, 2019 were typical of these items during the fiscal year then ended. The District considers any decline in fair value for certain investments to be temporary.

**NOTE C – SPECIAL ASSESSMENT REVENUES**

Special assessment revenues recognized for the 2018-2019 fiscal year were levied in October 2018. All assessments are due and payable on November 1 or as soon as the assessment roll is certified and delivered to the Tax Collector. Per Section 197.162, Florida Statutes, discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. Assessments paid in March are without discount.

All unpaid assessments become delinquent as of April 1. Virtually all unpaid assessments are collected via the sale of tax certificates on or prior to, June 1; therefore, there were no material taxes receivable at fiscal year end.

**NOTE D – CAPITAL ASSETS**

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

	Balance 10/1/2018	Additions	Disposals	Balance 09/30/19
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 3,675,941	\$ -	\$ 3,675,941

**NOTE E – LONG-TERM DEBT**

The following is a summary of activity for long-term debt of the District for the year ended September 30, 2019:

Long-term debt at October 1, 2018	\$ -
Bond proceeds	5,460,000
Long-term debt at September 30, 2019	\$ 5,460,000

**East Nassau Stewardship District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2019**

**NOTE E – LONG-TERM DEBT (CONTINUED)**

In December 2018, the District issued \$5,460,000 Series 2018 Special Assessment Revenue Bonds, due in annual principal installments beginning May 2020, maturing May 2049. Interest is due semi-annually on May 1 and November 1, beginning May 2019, at a rate of 4.25% on the \$455,000 bonds, with a maturity date of May 1, 2024, 4.6% on the \$575,000 bonds, with a maturity date of May 1, 2029, 5.125% on the \$1,650,000 bonds, with a maturity date of May 1, 2039, and 5.25% on the \$2,780,000 bonds, with a maturity date of May 1, 2049. Current portion is \$85,000.

\$ 5,460,000

The annual requirements to amortize the principal and interest of bonded debt outstanding as of September 30, 2019 are as follows:

Year Ending September 30,	Principal	Interest	Total
2020	\$ 85,000	\$ 276,300	\$ 361,300
2021	85,000	272,688	357,688
2022	90,000	269,075	359,075
2023	95,000	265,250	360,250
2024	100,000	261,213	361,213
2025-2029	575,000	1,234,213	1,809,213
2030-2034	720,000	1,082,606	1,802,606
2035-2039	930,000	877,350	1,807,350
2040-2044	1,210,000	609,787	1,819,787
2045-2049	1,570,000	256,462	1,826,462
Totals	<u>\$ 5,460,000</u>	<u>\$ 5,404,944</u>	<u>\$ 10,864,944</u>

Significant Bond Provisions

The Series 2018 Bonds are subject to redemption at the option of the District prior to their maturity, in whole or in part, at any time after May 1, 2029 at a redemption price equal to the principal amount of the Series 2018 Bonds to be redeemed, together with accrued interest to the date of redemption. The Series 2018 Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Trust Indenture.

The Trust Indenture established certain amounts be maintained in a reserve account. In addition, the Trust Indenture has certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements.

**East Nassau Stewardship District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2019**

**NOTE E – LONG-TERM DEBT (CONTINUED)**

Depository Funds

The bond resolution establishes certain funds and determines the order in which revenues are to be deposited into these funds. A description of the significant funds, including their purposes, is as follows:

1. Reserve Fund – The 2018 Reserve Accounts are funded from the proceeds of the Series 2018 Bonds in amounts equal to fifty percent of the maximum annual debt service requirement for all outstanding Series 2018 Bonds. Monies held in the reserve accounts will be used only for the purposes established in the Trust Indenture.

	Reserve Balance	Reserve Requirement
Series 2018 Special Assessment Revenues Bonds	\$ 135,890	\$ 135,890

**NOTE F – INTERFUND BALANCES**

Interfund balances at September 30, 2019, consisted of the following:

	<b>Payable Fund</b>
<b>Receivable Fund</b>	General Fund
Special Revenue Fund	\$ 175,884

Interfund balances relate to special assessments and developer contributions collected in the General Fund that were not remitted to the Special Revenue Fund as of year-end.

	<b>Transfer Out</b>		Total
	Debt Service Fund	Capital Projects Fund	
Debt Service Fund	\$ -	\$ 49,411	\$ 49,411
Capital Projects Fund	2,865	-	2,865
Total	\$ 2,865	\$ 49,411	\$ 52,276

The transfer from the Capital Projects Fund was utilized to cover the beginning fund deficit in the Debt Service Fund.

**East Nassau Stewardship District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

**NOTE G – RELATED PARTY TRANSACTIONS**

Four of the five voting members of the Board of Supervisors are employed by the Developer or a related entity. The District received \$470,192 in contributions and assessments from the Developer for the year ended September 30, 2019. Additionally, the District has \$6,500 due to the developer and \$34,978 due from the developer.

**NOTE H – ECONOMIC DEPENDENCY**

The Developer owns a significant portion of land within the District. The District's activity is dependent upon the continued involvement of the Developer, the loss of which could have a material adverse effect on the District's operations.

**NOTE I – 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 for which the government carries commercial insurance. The District has not filed any claims under this commercial coverage.



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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 of Supervisors  
East Nassau Stewardship District  
Nassau 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 East Nassau Stewardship District, as of and for the year ended September 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated May 26, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered East Nassau Stewardship District's internal control over financial reporting 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 East Nassau Stewardship District's internal control. Accordingly, we do not express an opinion on the effectiveness of East Nassau Stewardship District's internal control over financial reporting.

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 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 over financial reporting 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.

Board of Supervisors  
East Nassau Stewardship District

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether East Nassau Stewardship District's financial statements are free of material misstatement, we 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 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*.

### **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.



Berger, Toombs, Elam, Gaines & Frank  
Certified Public Accountants  
Fort Pierce, Florida

May 26, 2020



# Berger, Toombs, Elam, Gaines & Frank

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## MANAGEMENT LETTER

To the Board of Supervisors  
East Nassau Stewardship District  
Nassau County, Florida

### Report on the Financial Statements

We have audited the financial statements of the East Nassau Stewardship District as of and for the year ended September 30, 2019, and have issued our report thereon dated May 26, 2020.

### Auditor's Responsibility

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

### Other Reporting Requirements

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 Financial Statements Performed in Accordance with *Government Auditing Standards* and our Independent Auditor's Report on an examination conducted in accordance with AICPA Professionals 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 May 26, 2020, 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 we determine whether or not corrective actions have been made to address findings and recommendations made in the preceding financial audit report. There were no findings or recommendations in the preceding audit.

### Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires us to apply appropriate procedures and communicate the results of our determination as to whether or not East Nassau Stewardship District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific conditions met. In connection with our audit, we determined that the East Nassau Stewardship District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

To the Board of Supervisors  
East Nassau Stewardship District

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial conditions assessment procedures as of September 30, 2019 for the East Nassau Stewardship District. It is management's responsibility to monitor the East Nassau Stewardship District's financial condition; our financial condition assessment was based in part on the representations made by management and the review of the financial information provided by the same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

### **Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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. In connection with our audit, we noted no such findings.

### **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 Board of Supervisors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Berger Toombs Elam  
(Gaines) + Frank*

Berger, Toombs, Elam, Gaines & Frank  
Certified Public Accountants PL  
Fort Pierce, Florida

May 26, 2020





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**INDEPENDANT ACCOUNTANT'S REPORT/COMPLIANCE  
WITH SECTION 218.415 FLORIDA STATUTES**

To the Board of Supervisors  
East Nassau Stewardship District  
Nassau County, Florida

We have examined East Nassau Stewardship District's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2019. Management is responsible for East Nassau Stewardship District's compliance with those requirements. Our responsibility is to express an opinion on East Nassau Stewardship District's compliance based on our examination.

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

In our opinion, East Nassau Stewardship District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2019.

*Berger Toombs Elam  
Gaines + Frank*

Berger, Toombs, Elam, Gaines & Frank  
Certified Public Accountants PL  
Fort Pierce, Florida

May 26, 2020