

Municipal Service District of Ponte Vedra Beach

Audit Report

September 30, 2017



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Municipal Service District of Ponte Vedra Beach

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Municipal Service District of Ponte Vedra Beach
Ponte Vedra Beach, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and General Fund of the Municipal Service District of Ponte Vedra Beach (the "District") as of and for the fiscal year ended September 30, 2017, 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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and General Fund of the District as of September 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 August 28, 2018 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, and 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.

Caru, Riggs & Ingram, L.L.C.

St. Augustine, Florida
August 28, 2018

Management's Discussion and Analysis

As management of the Municipal Service District of Ponte Vedra Beach (the "District"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2017.

FINANCIAL HIGHLIGHTS

The following are various financial highlights for fiscal year 2017:

- The District's overall net position decreased by approximately \$45,800 which is about 21 percent.
- Total ending unrestricted net position was approximately \$172,000.
- The District had total expenses for the year of approximately \$685,000, compared to revenues of approximately \$639,000.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This annual report contains government-wide financial statements that report on the District's activities as a whole and fund financial statements that report on the District's individual fund.

Government-wide Financial Statements

The first financial statement is the Statement of Net Position. This statement includes all of the District's assets and liabilities using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private-sector companies. All of the current year revenues and expenses are recorded, regardless of when cash is received or paid. Net position – the difference between assets and liabilities – can be used to measure the District's financial position.

The second financial statement is the Statement of Activities. This statement is also shown using the accrual basis of accounting. It shows the increases and decreases in net position during the fiscal year. Over time, the increases or decreases in net position are useful indicators of whether the District's financial health is improving or deteriorating. However, other non-financial factors, such as changes in the tax base, must also be considered when assessing the overall health of the District.

Fund Financial Statements

Following the government-wide financial statements are the fund financial statements.

- Governmental funds – The General Fund is the District's only governmental fund. This fund is accounted for using modified accrual accounting. Modified accrual accounting focuses on available cash and other financial assets that can readily be converted to cash. This provides a shorter-term view of the governmental fund's financial position. A reconciliation is provided with these statements, which helps to explain the difference between the fund financial statements and the government-wide financial statements.

Municipal Service District of Ponte Vedra Beach

Management's Discussion and Analysis

CONDENSED FINANCIAL INFORMATION

The following tables present condensed, government-wide data about net position and changes in net position.

Net Position		
	2017	2016
Assets		
Non-capital assets	\$ 186,600	\$ 229,150
Total assets	186,600	229,150
Liabilities		
Current liabilities	14,748	11,493
Total liabilities	14,748	11,493
Net position		
Unrestricted	171,852	217,657
Total net position	\$ 171,852	\$ 217,657

Change in Net Position		
	2017	2016
General revenues		
Taxes	\$ 637,228	\$ 598,833
Miscellaneous	1,620	1,693
Total revenues	638,848	600,526
Program expenses		
General government services	72,014	63,626
Public safety	304,400	304,400
Physical environment	169,335	142,000
Transportation	138,904	40,948
Total expenses	684,653	550,974
Change in net position	(45,805)	49,552
Net position, October 1	217,657	168,105
Net position, September 30	\$ 171,852	\$ 217,657

Management's Discussion and Analysis

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities

The governmental activities generated \$638,848 of general revenues and incurred \$684,653 of program expenses. This resulted in a 45,805 decrease in net position.

THE DISTRICT'S INDIVIDUAL FUNDS

General Fund

The General Fund's fund balance decreased by 45,805 from \$217,657 to \$171,852.

BUDGETARY HIGHLIGHTS

There were no changes between the original and final budgets for the General Fund.

Revenues received by the General Fund were more than budgeted amounts. The largest variance between final budget amounts and actual results arose from taxes received from St. Johns County.

General Fund expenditures were less than budgeted amounts by \$1,649.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District has no capital assets.

Long-Term Debt

The District has no long-term liabilities.

ECONOMIC FACTORS

We are not currently aware of any conditions that are expected to have a significant effect on the District's financial position or results of operations.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact John Wegl, Treasurer at P.O. Box 1323, Ponte Vedra Beach, Florida 32004.

Municipal Service District of Ponte Vedra Beach

Statement of Net Position
September 30, 2017

	Governmental Activities
<hr/>	
Assets	
Cash and cash equivalents	\$ 184,350
Prepaid expenses	2,250
<hr/>	
Total assets	186,600
Liabilities	
Accounts payable and accrued liabilities	14,748
<hr/>	
Net position	
Unrestricted	\$ 171,852
<hr/> <hr/>	

*The accompanying "Notes to Financial Statements"
form an integral part of this statement.*

Municipal Service District of Ponte Vedra Beach

Statement of Activities
Year ended September 30, 2017

	Expenses	Program Revenues	Net (Expenses) Revenue and Change In Net Position
Functions/programs			
Governmental activities:			
General government	\$ 72,014	\$ -	\$ (72,014)
Public safety	304,400	-	(304,400)
Physical environment	169,335	-	(169,335)
Transportation	138,904	-	(138,904)
Total	\$ 684,653	\$ -	(684,653)
General revenues			
Property taxes			637,228
Miscellaneous			1,620
Total general revenues			638,848
Change in net position			(45,805)
Net position, October 1, 2016			217,657
Net position, September 30, 2017			\$ 171,852

The accompanying "Notes to Financial Statements" form an integral part of this statement.

Municipal Service District of Ponte Vedra Beach

Balance Sheet – Governmental Funds
September 30, 2017

	General Fund
Assets	
Cash and cash equivalents	\$ 184,350
Prepays	2,250
Total assets	\$ 186,600
Liabilities and fund balances	
Liabilities	
Accounts payable and accrued liabilities	\$ 14,748
Fund balances	
Nonspendable - Prepays	2,250
Assigned for 2018 expenditures	9,573
Unassigned	160,029
Total fund balances	171,852
Total liabilities and fund balances	\$ 186,600

*The accompanying "Notes to Financial Statements"
form an integral part of this statement.*



Municipal Service District of Ponte Vedra Beach

**Reconciliation of the Balance Sheet to the
Statement of Net Position – Governmental Funds
September 30, 2017**

Fund balances - total governmental funds \$ 171,852

There are no amounts reported in the governmental fund balance sheet that are different from those reported in the statement of net position.

-

Net position of governmental funds \$ 171,852

*The accompanying "Notes to Financial Statements"
form an integral part of this statement.*

Municipal Service District of Ponte Vedra Beach

Statement of Revenues, Expenditures and Changes in
Fund Balance – Governmental Funds
Year ended September 30, 2017

	General Fund
<hr/>	
Revenues	
Taxes	\$ 637,228
Miscellaneous	1,620
<hr/>	
Total revenues	638,848
<hr/>	
Expenditures	
Current:	
General government services	72,014
Public safety	304,400
Physical environment	169,335
Transportation	138,904
<hr/>	
Total expenditures	684,653
<hr/>	
Excess of revenues under expenditures	(45,805)
<hr/>	
Fund balance - October 1, 2016	217,657
<hr/>	
Fund balance - September 30, 2017	\$ 171,852
<hr/> <hr/>	

*The accompanying "Notes to Financial Statements"
form an integral part of this statement.*



Municipal Service District of Ponte Vedra Beach

**Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances to the Statement of
Activities – Governmental Funds
Year ended September 30, 2017**

Excess of revenues under expenditures - total governmental funds	\$ (45,805)
There are no amounts reported in the statement of activities that are different from the governmental fund amounts.	-
Change in net position of governmental activities	\$ (45,805)

*The accompanying "Notes to Financial Statements"
form an integral part of this statement.*

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Municipal Service District of Ponte Vedra Beach (the “District”) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Reporting Entity

The District was established by Chapter 82-375, Laws of Florida, on April 23, 1982, and approved by a majority of the registered voters of the District in a referendum on June 8, 1982. Chapter 82-375 was amended by Chapter 90-463, Laws of Florida, and approved by a majority of the registered voters in the District in a referendum on November 6, 1990. Chapters 82-375 and 90-463 were amended by Chapter 2002-373, Laws of Florida. The provisions of Chapter 2002-373 were effective October 1, 2002.

The purpose of the District is to provide services, through contracts with third parties, to the residents of the District independent of, as well as supplemental to those services provided by St. Johns County.

The District uses the criteria established in GASB Statement No. 14, as amended, to define the reporting entity and identify component units. There are no component units included within the District’s reporting entity.

The District did not participate in any joint ventures during the 2016 - 2017 fiscal year.

Government-wide Financial Statements

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the activities of the District. Governmental activities are reported separately from business-type activities, which rely on fees charged to external parties as their primary revenues. The District has no business-type activities.

The Statement of Net Position reports the District’s financial position as of the end of the year. All of the District’s net position is unrestricted.

The Statement of Activities is displayed using a net-cost format and reports the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges for services that are directly related to a given function, and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. The governmental fund statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds. The following fund is the only fund used by the District:

Governmental Funds

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources.

Measurement Focus and Basis of Accounting

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.

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 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 the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due. The District has no long-term debt.

Property taxes and intergovernmental revenues are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Certain other revenue items may be considered to be measurable and available only when cash is received.

Cash and Cash Equivalents

For purposes of the financial statements, investments in money markets are also included with cash and cash equivalents.

All deposits are placed in a bank that qualifies as a public depository, as required by law (Florida Security for Public Deposits Act). Accordingly, all deposits are insured by Federal depository insurance and/or entirely collateralized pursuant to Chapter 280, Florida Statutes.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The District does not have a formal investment policy. Excess funds are deposited in a money market account which is an authorized form of investment pursuant to Section 218.415, Florida Statutes.

Capital Assets and Depreciation

Capital assets are defined by the District as assets with an initial, individual cost of \$750 or more and an estimated useful life of more than one year. These assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The District has no capital assets as of September 30, 2017.

Pursuant to GASB 34, the District has elected to report infrastructure prospectively. Depreciable capital assets will be depreciated using the straight-line method over the following estimated useful lives:

	Years
Equipment	5 - 10
Infrastructure	40

Net Position

Net position represents the difference between assets and liabilities and is reported in three categories as hereafter described. Net position reported as *net investment in capital assets*, represents capital assets, net of accumulated depreciation and any outstanding debt related to those assets. Net position is reported as *restricted* when there are legal limitations imposed on their use by the District’s legislation, or external restrictions imposed by other governments, creditors, or grantors. *Unrestricted* net position is net position that does not meet the definitions of the classifications previously described. The District’s net position at September 30, 2017 is unrestricted.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, and then unrestricted resources as they are needed.

Fund Balance

The District follows the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* to classify fund balances for governmental funds into specifically defined classifications. The classifications comprise a hierarchy based primarily on the

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

Fund balance classifications are described below:

Nonspendable Fund Balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the District’s highest level of decision-making authority, which is an ordinance of the District’s Board of Trustees. Committed amounts cannot be used for any other purpose unless the District removes those constraints by taking the same type of action.

Assigned Fund Balance – Assigned fund balances are amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the District’s Board of Trustees or (b) a body or official to which the Trustees have delegated the authority to assign amounts to be used for specific purposes.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the General Fund.

The District’s policy is to expend resources in the following order: restricted, committed, assigned, and unassigned.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates and assumptions. Actual results could vary from the estimates that were used.

Notes to Financial Statements

NOTE 2 – PROPERTY TAXES

In governmental funds, property tax revenues are recognized when levied, to the extent that they result in current receivables.

Details of the property tax calendar are presented below.

Lien date	January 1
Levy date	October 1
Regular payments:	
Discount periods	November - February
No discount period	March
Delinquent date	April 1

Property taxes are assessed by the St. Johns County Property Appraiser. These tax revenues are then collected and remitted to the District by the St. Johns County Tax Collector.

NOTE 3 – INVESTMENTS

The District’s investment in the money market fund is included in cash and cash equivalents on the balance sheet.

The District’s investment in the money market fund exposes it to credit risk. The District does not have a formal policy relating to this risk, which is hereafter described.

Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Fund	Amount	Rating
Iberia Money Market	\$ 166,111	Unrated

NOTE 4 – RISK MANAGEMENT

To manage its risks, the District participates in the Florida League of Cities Self Insurance Fund, (the “Fund”), a public entity risk pool currently operating as a common risk management and insurance program for member governments. The District pays an annual premium to the Fund for its coverage. The premiums are designed to fund the liability risks assumed by the Fund and are based on certain actual exposures of each member. The District’s settled claims have not exceeded coverage in any of the past three fiscal years.

Required Supplementary Information

Municipal Service District of Ponte Vedra Beach

Budgetary Comparison Schedule – General Fund Year ended September 30, 2017

	Budgeted		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 624,320	\$ 624,320	\$ 637,228	\$ 12,908
Miscellaneous	1,400	1,400	1,620	220
Total revenues	625,720	625,720	638,848	13,128
Expenditures				
General government services	71,986	71,986	72,014	(28)
Public safety	304,400	304,400	304,400	-
Physical environment	170,500	170,500	169,335	1,165
Transportation	139,416	139,416	138,904	512
Total expenditures	686,302	686,302	684,653	1,649
Excess of revenues over (under) expenditures	(60,582)	(60,582)	(45,805)	14,777
Fund balances - October 1, 2016	242,871	242,871	217,657	(25,214)
Fund balances - September 30, 2017	\$ 182,289	\$ 182,289	\$ 171,852	\$ (10,437)

Notes to Schedule

The annual budget is prepared by the Treasurer and approved by the Board of Trustees. The budget is prepared on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. Budget amendments can only be made with approval of the Board of Trustees. The fund is the legal level of control.

**Additional Elements Required by the
Rules of the Auditor General**

MANAGEMENT LETTER

Board of Trustees
Municipal Service District of Ponte Vedra Beach
Ponte Vedra Beach, Florida

We have audited the financial statements of the Municipal Service District of Ponte Vedra Beach (the "District"), as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated August 28, 2018. That report should be considered in conjunction with this management letter.

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. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

Prior Audit Findings

The Rules of the Auditor General require that we comment as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding audit. If the audit findings in the preceding audit report are uncorrected, we are required to identify those findings that were also included in the second preceding audit report. These requirements of the Rules of the Auditor General are addressed in the Schedule of Findings that accompanies this letter.

Financial Condition

As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.503, Florida Statutes, "Determination of Financial Emergency." In connection with our audit, we determined that the District has not met one or more of the conditions described in Section 218.503(1), Florida Statutes.

Also, as required by the Rules of the Auditor General, we applied financial condition assessment procedures, as of the end of the fiscal year, pursuant to Rule 10.556(8). 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 management. The application of such procedures did not reveal evidence of "deteriorating financial condition" as that term is defined in Rule 10.554.

Annual Financial Report

As required by the Rules of the Auditor General, we determined that the annual financial report for the fiscal year ended September 30, 2017, filed with the Department of Financial Services pursuant to Section 218.32, Florida Statutes, is in substantial agreement with the audit report for the fiscal year ended September 30, 2017.

Other Matters

Our audit did not reveal any other matters that we are required to include in this management letter.

This management letter is intended solely for the information and use of the Board of Trustees, management, and the Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of the audit. We have sincerely enjoyed our association with the District and look forward to a continuing relationship. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

Caru, Riggs & Ingram, L.L.C.

St. Augustine, Florida
August 28, 2018

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

Board of Trustees
Municipal Service District of Ponte Vedra Beach
Ponte Vedra Beach, Florida

We have audited, 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, the financial statements of the governmental activities and the General Fund of the Municipal Service District of Ponte Vedra Beach (the “District”) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated August 28, 2018.

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 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as

described in the accompanying Schedule of Findings, we identified deficiencies in internal control, described as items 2017-001 and 2017-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying Schedule of Findings. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Caru, Riggs & Ingram, L.L.C.

St. Augustine, Florida
August 28, 2018

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

Board of Trustees
Municipal Service District of Ponte Vedra Beach
Ponte Vedra Beach, Florida

We have examined the Municipal Service District of Ponte Vedra Beach's (the "District") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2017. Management is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements 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 above. 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 year ended September 30, 2017.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

St. Augustine, Florida
August 28, 2018

Schedule of Findings

2017-001 (Reported in previous audit reports as items 2016-001 and 2015-001.)

Criteria – Adequate controls should be in place to allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements in a timely basis. Although the small size of the business office staff limits the extent of separation of duties, we believe certain steps could be taken to separate incompatible duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

Condition – The bookkeeper inputs invoices, prints checks, mails checks, and enters all general ledger transactions.

Cause – Because of a limited number of available personnel, it is not always possible to adequately segregate incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Effect – Incompatible duties are not adequately separated. The result is that intentional or unintentional errors could be made and not detected.

Recommendation – To the extent possible, given available personnel, steps should be taken to separate employee duties so that no one individual has access to both physical assets and the related accounting records, or to all phases of a transaction.

Response – Due to the limited number of financial staff, it is not always possible to segregate incompatible duties. Whenever possible, incompatible duties are segregated in order to minimize the impact of the control deficiency.

2017-002 (Reported in previous audit reports as items 2016-002 and 2015-002.)

Criteria – Financial statements must be presented in accordance with generally accepted accounting principles.

Condition – As a part of the audit process, it was necessary for us to propose material adjustments to the financial statements. It was also necessary for us to assist with the preparation of the District's financial statements.

Cause – Prior year audit adjustments were not posted and certain entries are not made in the proper period. Also, personnel are unable to prepare financial statements, including related notes, in accordance with generally accepted accounting principles.

Schedule of Findings

Effect – Our proposed adjustments were accepted by management, enabling the financial statements to be fairly presented in conformity with generally accepted accounting principles.

Recommendation – We recommend that you consider and evaluate the costs and benefits of improving internal controls relative to the financial reporting process.

Response – We have evaluated the cost versus benefit of improving internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the District’s best interest to outsource this task to our independent auditors.