

Putnam County Development Authority

Audit Report

September 30, 2018



CRI CARR
RIGGS &
INGRAM

CPAs and Advisors

CRIcpa.com



Putnam County Development Authority

Table of Contents September 30, 2018

REPORT	
Independent Auditors' Report	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	6
Statement of Revenues, Expenses and Changes in Net Position	7
Statement of Cash Flows	8
Notes to Financial Statements	9
ADDITIONAL ELEMENTS REQUIRED BY THE RULES OF THE AUDITOR	
GENERAL	
Management Letter	12
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	14
Independent Accountants' Report on Compliance with Section 218.415, Florida Statutes	16
Schedule of findings	17
Response to Auditors' Comments	—



Carr, Riggs & Ingram, LLC
906 South State Road 19
Palatka, Florida 32177

(386) 325-4561
(386) 328-1014 (fax)
www.cricpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Putnam County Development Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Putnam County Development Authority (the "Authority"), a component unit of Putnam County, Florida, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2019 on our consideration of the Authority'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 Authority'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 Authority's internal control over financial reporting and compliance.

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

Palatka, Florida
March 27, 2019

Putnam County Development Authority

Management's Discussion and Analysis

This discussion and analysis of the Putnam County Development Authority's (the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal year ended September 30, 2018. Please read it in conjunction with the Authority's financial statements, which follow this section.

The following are financial highlights for fiscal year 2018:

- The Authority's overall net position increased by approximately \$45,000, or about 5.5 percent.
- Total ending unrestricted net position were approximately \$298,000
- The Authority had total expenses of approximately \$52,000, compared to revenues of approximately \$96,000.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The first financial statement is the Statement of Net Position. This statement includes all of the Authority's assets and liabilities using the accrual basis of accounting. The Authority has no deferred outflows or inflows. 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 Authority's financial position.

The second financial statement is the Statement of Revenues, Expenses and Changes in Net Position. 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 Authority's financial health is improving or deteriorating. However, other non-financial factors must also be considered when assessing the overall health of the Authority.

The Statement of Cash Flows reports cash receipts and cash payments, and classifies the Authority's cash transactions in four categories: operating, noncapital financing, capital and related financing, or investing activities.

In these statements, all of the Authority's activities are considered to be business-type activities, which are generally financed in whole or in part by fees charged to external parties for goods or services. The Authority has no governmental activities.

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

As of September 30, 2018, the Authority had assets of approximately \$849,000. These assets consisted of cash deposited in interest-bearing accounts and capital assets. This represents about a \$45,000 increase in total assets over the prior year. Liabilities for the same period totaled about \$200 of accounts payable. Liabilities remained consistent from prior year. Net position of the Authority at September 30, 2018 was \$849,000. This is an increase of approximately \$46,000 or about 5.5%. Operating revenues increased by approximately \$85,000, while operating expenses increased by approximately \$43,000.

The primary source of revenue for the Authority is bond issuance fees, with additional revenues earned from rents and interest on cash deposits. For the year ended September 30, 2018, the Authority approved one bond for issuance for \$85,150 in fees. During the prior year, the Authority did not approve any bonds for issuance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

There were no additions or disposals of capital assets during the year.

Please refer to a note to the accompanying financial statements entitled *Capital Assets and Depreciation* for more detailed information about the Authority's capital asset activity.

Debt Administration

The Authority did not issue any new debt during the year for which it is obligated and had no long-term debt outstanding during the year. The Authority 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 Authority's financial position or results of operations.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Authority's Finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Dana Jones, Executive Director, 1100 Reid Street, Palatka, Florida 32177.

Putnam County Development Authority

Management's Discussion and Analysis

The following presents condensed data about the net position and changes in net position.

Net Position

<i>As of September 30,</i>	2018	2017
Assets		
Non-capital assets	\$ 298,016	\$ 249,555
Capital assets	551,325	555,281
Total assets	849,341	804,836
Liabilities		
Current liabilities	184	184
Net position		
Investment in capital assets	551,325	555,281
Unrestricted	297,832	249,371
Total net position	\$ 849,157	\$ 804,652

Changes in Net Position

<i>Year ended September 30,</i>	2018	2017
Program revenues		
Charges for services	\$ 95,658	\$ 10,505
General revenues		
Investment earnings	442	383
Total revenues	96,100	10,888
Program expenses		
Professional services	46,367	3,704
Operating expenses	1,272	1,272
Depreciation	3,956	3,956
Total expenses	51,595	8,932
Change in net position	44,505	1,956
Beginning net position	804,652	802,696
Ending net position	\$ 849,157	\$ 804,652

Statement of Net Position
September 30, 2018

Assets		
Current assets:		
Cash and equivalents	\$	184,307
Investments in certificates of deposits		113,709
Total current assets		298,016
Noncurrent assets:		
Capital assets:		
Non-depreciable		473,854
Depreciable, net		77,471
Total noncurrent assets		551,325
Total assets		849,341
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities		184
Net position		
Net investment in capital assets		551,325
Unrestricted		297,832
Total net position		\$ 849,157

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



Putnam County Development Authority

Statement of Revenues, Expenses
and Changes in Net Position
Year ended September, 30 2018

Operating revenues		
Rent	\$	10,508
Bond fees		85,150
<hr/>		
Total operating revenues		95,658
<hr/>		
Operating expenses		
Contractual services		46,367
Operating expenses		1,272
Depreciation		3,956
<hr/>		
Total operating expenses		51,595
<hr/>		
Operating income		44,063
<hr/>		
Nonoperating revenues		
Interest		442
<hr/>		
Change in net position		44,505
<hr/>		
Net position – October 1, 2017		804,652
<hr/>		
Net position – September 30, 2018	\$	849,157

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

Putnam County Development Authority

Statement of Cash Flows
Year ended September 30, 2018

Operating activities		
Receipts from customers	\$	95,658
Payments to suppliers		(47,639)
<hr/>		
Net cash provided by operating activities		48,019
Investing activities		
Interest received		215
<hr/>		
Change in cash and equivalents		48,234
Cash and equivalents – beginning of year		136,073
<hr/>		
Cash and equivalents – end of year	\$	184,307

Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$	44,063
Depreciation		3,956
<hr/>		
Net cash provided by operating activities	\$	48,019

Noncash investing activities:		
Change in fair value of investments	\$	227

Notes to Financial Statements

NOTE 1 – REPORTING ENTITY

Reporting Entity

The Putnam County Development Authority (the "Authority") is an independent special district created by Chapter 61-2727 as amended by Chapter 69-1523, Laws of Florida, for the purpose of promoting economic growth and development in all areas of Putnam County. The governing board of the Authority has nine members, of which the County's Board of County Commissioners appoints three. The Authority cannot issue bonded debt without the substantive approval of the Board of County Commissioners and, accordingly, the Authority is considered to be fiscally dependent on the Board of County Commissioners. For financial reporting purposes, the Authority is considered a component unit of Putnam County, Florida.

The Authority follows the guidance of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, as amended, to evaluate the reporting entity for potential component units that may be required to be included in the Authority's financial statements. Based on those guidelines, there are no entities, which meet the criteria for inclusion in the Authority's financial statements.

The Authority did not participate in any joint ventures during the year ended September 30, 2018.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

The financial transactions of the Authority are reported as a proprietary fund type, Enterprise Fund. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private-sector business enterprises.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment earnings, result from nonexchange transactions or ancillary activities.

Measurement Focus and Basis of Accounting

The Authority utilizes the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the Authority considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments consist of certificates of deposit with more than 3 months maturity that are reported at cost, which approximates fair value.

Capital Assets

Capital assets are recorded at historical cost or estimated historical cost, except for contributed assets which are recorded at estimated acquisition value at the date of contribution. The Authority uses a capitalization threshold of \$1,000 for all classes of capital assets

Land is not depreciated. For depreciable capital assets, depreciation expense is provided using the straight-line method over the estimated useful lives of the assets which range as follows:

	<u>Years</u>
Buildings and improvements	40

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

NOTE 3 – DEPOSITS AND INVESTMENTS

All of the Authority’s deposits, including its certificates of deposit, are held in qualified public depositories pursuant to Chapter 280, Florida Statutes, and are entirely insured by Federal deposit insurance or collateralized pursuant to the Florida Security for Public Deposits Act. State Statutes authorize the Authority to invest excess public funds in the following:

- ◆ Direct obligations of the U.S. Treasury;
- ◆ Savings accounts and certificates of deposit in qualified public depositories;
- ◆ The Local Government Surplus Funds Trust Fund;
- ◆ Securities and Exchange Commission registered money market funds with the highest credit quality rating.

The Authority holds certificates of deposit with a financial institution in which it invests surplus funds during the year. The balance in the accounts totaled \$113,709 at September 30, 2018.

Putnam County Development Authority

Notes to Financial Statements

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended September 30, 2018 follows:

	Balance October 1, 2017	Additions	Deductions	Balance September 30, 2018
Capital assets not being depreciated:				
Land	\$ 473,854	\$ -	\$ -	\$ 473,854
Capital assets being depreciated:				
Buildings and improvements	165,944	-	-	165,944
Less accumulated depreciation for:				
Building and improvements	84,517	3,956	-	88,473
Total capital assets being depreciated, net	81,427	(3,956)	-	77,471
Capital assets, net	\$ 555,281	\$ (3,956)	\$ -	\$ 551,325

NOTE 5 – CONDUIT DEBT

The Authority issues bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The Authority is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. During 2007, the Authority issued two pollution control revenue refunding bonds in an aggregate principal amount of \$125,250,000 to refund several series bonds issued prior to July 1, 1995. During the year ended September 30, 2018, the Authority issued an additional \$125,248,878 in pollution control revenue refunding bonds. At September 30, 2018, the aggregate bonds outstanding is approximately \$250,498,878.

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

MANAGEMENT LETTER

To the Board of Directors
Putnam County Development Authority

We have audited the financial statements of the Putnam County Development Authority (the "Authority"), as of and for the year ended September 30, 2018, and have issued our report thereon dated March 27, 2019. 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 are uncorrected, we are required to identify those findings that were also included in the second preceding audit report. The Authority has no uncorrected prior audit findings that are required to be identified pursuant to the Rules of the Auditor General.

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 Authority 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.

Other Matters

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

The purpose of this management letter is solely to comply with the requirements of Chapter 10.550, Rules of the Auditor General. Accordingly, this communication is not suitable for any other purpose.

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. 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.

Palatka, Florida
March 27, 2019

INDEPENDENT AUDITORS' 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 Directors
Putnam County Development Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Putnam County Development Authority (the "Authority"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 27, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings as item 2018-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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*.

The Authority's Response to Finding

The Authority's response to the finding identified in our audit is described in its accompanying letter of response. The Authority'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.

Palatka, Florida
March 27, 2019

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

To the Board of Directors
Putnam County Development Authority

We have examined the Putnam County Development Authority's (the "Authority") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2018. Management is responsible for the Authority's compliance with the specified requirements. Our responsibility is to express an opinion on the Authority'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 Authority complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Authority 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 Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.

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.

Palatka, Florida
March 27, 2019

Schedule of Findings

2018-001 **Criteria:** Adequate controls should be in place to allow management or personnel, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on 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 individual should have access to both physical assets and the related accounting records or to all phases of a transaction.

Condition: The Executive Director is responsible for processing all cash receipts, reconciling bank statements and recording transactions in the general ledger.

Cause: The Authority has a limited number of available personnel.

Effect: Incompatible duties were 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 duties so that no one individual has access to both physical assets and the related accounting records, or to all phases of a transaction.

1100 Reid Street
Palatka, FL 32177
386-328-5401



Putnam County Development Authority

March 27, 2019

The Honorable Sherrill F. Norman
Auditor General
111 West Madison Street
Tallahassee, Florida 32399-1450

RE: Audit Recommendation

Dear Auditor General Norman:

The Putnam County Development Authority wishes to address the audit finding as specified by Carr, Riggs & Ingram LLC following the audit for the fiscal year 2017-18, as follows:

2018-001 - The Putnam County Development Authority (PCDA) has a part-time Executive Director who among other duties is responsible for income and disbursing funds for expenses. These two tasks are closely supervised by the PCDA members, one of whom must sign all checks for expenses.

Sincerely,

A handwritten signature in cursive script that reads "Dana Jones".

Dana Jones
Executive Director