Municipal Service District of Ponte Vedra Beach

FINANCIAL STATEMENTS

September 30, 2023



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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 Audit of the Financial Statements

Opinions

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 year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a required 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 May 3, 2024 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.

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

Jacksonville, Florida
May 3, 2024

Municipal Service District of Ponte Vedra Beach
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, 2023.

FINANCIAL HIGHLIGHTS

The following are various financial highlights for fiscal year 2023:

- The District's overall net position increased by approximately $80,882, or 9 percent. This increase is attributable to the decrease in physical environment and transportation expenditures.
- Total ending unrestricted net position was approximately $939,000.
- The District had total expenditures for the year of approximately $664,000, compared to revenues of approximately $744,000.

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.

CONDENSED FINANCIAL INFORMATION

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

Net Position

	2023	2022
Assets		
Non-capital assets	**$ 957,598**	$ 876,089
Total assets	**957,598**	876,089
Liabilities		
Current liabilities	**18,716**	18,089
Total liabilities	**18,716**	18,089
Net position		
Unrestricted	**938,882**	858,000
Total net position	**$ 938,882**	$ 858,000

Changes in Net Position

	2023	2022
General revenues		
Taxes	**$ 713,557**	$ 872,579
Miscellaneous	**30,875**	344
Total revenues	**744,432**	872,923
Program expenses		
General government	**148,120**	85,957
Public safety	**225,563**	120,737
Physical environment	**244,572**	251,866
Transportation	**45,295**	68,626
Total expenses	**663,550**	527,186
Change in net position	**80,882**	345,737
Net position, beginning of year	**858,000**	512,263
Net position, end of year	**$ 938,882**	$ 858,000

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities

The governmental activities generated $744,432 of general revenues and investment income and incurred $663,550 of program expenses. This resulted in a $80,882 increase in net position.

THE DISTRICT'S INDIVIDUAL FUNDS

General Fund

The General Fund's fund balance increased by $80,882 from $858,000 to $938,882.

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 transportation expenditures being less than budgeted.

Total general fund expenditures were less than budgeted amounts by $506,655.

CAPITAL ASSETS AND DEBT ACTIVITY

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 Rick Brown, Treasurer, at P.O. Box 1323, Ponte Vedra Beach, Florida 32004.

Municipal Service District of Ponte Vedra Beach
Statement of Net Position

September 30, 2023		Governmental Activities
Assets		
Cash and cash equivalents	$	32,717
Investments		905,412
Prepaid expenses		19,469
Total assets		957,598
Liabilities		
Accounts payable and accrued liabilities		18,716
Net position		
Unrestricted	$	938,882

The accompanying notes are an integral part of these financial statement.

Municipal Service District of Ponte Vedra Beach
Statement of Activities

For the year ended September 30, 2023

Functions/programs	Expenses	Program Revenues	Net (Expense) Revenue and Changes In Net Position
Governmental activities			
General government	$ 148,120	$ -	$ (148,120)
Public safety	225,563	-	(225,563)
Physical environment	244,572	-	(244,572)
Transportation	45,295	-	(45,295)
Total	$ 663,550	$ -	(663,550)

General revenues	
Property taxes	713,557
Investment income	30,875
Total general revenues	744,432
Change in net position	80,882
Net position, beginning of year	858,000
Net position, end of year	$ 938,882

The accompanying notes are an integral part of these financial statement.

Municipal Service District of Ponte Vedra Beach
Balance Sheet – Governmental Funds

September 30, 2023		General Fund
Assets		
Cash and cash equivalents	$	32,717
Investments		905,412
Prepaid expenses		19,469
Total assets	$	957,598
Liabilities and fund balances		
Liabilities		
Accounts payable and accrued liabilities	$	18,716
Fund balances		
Nonspendable		
Prepaid expenses		19,469
Unassigned		919,413
Total fund balances		938,882
Total liabilities and fund balances	$	957,598

The accompanying notes are an integral part of these financial statement.

Municipal Service District of Ponte Vedra Beach
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

For the year ended September 30,	2023
Total fund balances - governmental funds	$ 938,882
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 activities	$ 938,882

The accompanying notes are an integral part of these financial statement.

Municipal Service District of Ponte Vedra Beach
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds

For the year ended September 30, 2023	General Fund
Revenues	
Taxes	$ 713,557
Interest income	30,875
Total revenues	744,432
Expenditures	
Current	
General government services	148,120
Public safety	225,563
Physical environment	244,572
Transportation	45,295
Total expenditures	663,550
Net change in fund balance	80,882
Fund balance, beginning of year	858,000
Fund balance, end of year	$ 938,882

The accompanying notes are an integral part of these financial statement.

Municipal Service District of Ponte Vedra Beach
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities

For the year ended September 30,		2023
Net change in fund balance - total governmental funds	$	80,882
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	$	80,882

The accompanying notes are an integral part of these financial statement.

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Reporting Entity

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 2022 - 2023 fiscal year.

The accounting policies of the Municipal Service District of Ponte Vedra Beach (the "District") conform to generally accepted accounting principles as applicable to governments.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the 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.

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:

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources or economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

Budgetary Information

Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund.

The appropriated budget is prepared by fund and function. The District's department heads may make transfers of appropriations within a department. Transfers of appropriations budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Assets, Liabilities, and Net Position

Cash and Cash Equivalents

Cash and equivalents consist of deposits placed in a bank that qualifies as a public depository pursuant to the provisions of the Florida Security for Public Deposits Act. Every qualified public depository is required by this law to deposit with the Chief Financial Officer eligible collateral equal to, or in excess of,

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position (Continued)

Cash and Cash Equivalents (Continued)

an amount to be determined by the Chief Financial Officer. The Chief Financial Officer is required to ensure that all funds are entirely insured or collateralized throughout the fiscal year.

Investments

Investments for the District are reported at fair value (generally based on quoted market prices) except for the position in the State Treasurer's Investment Pool (Pool). The State Treasurer's Investment Pool meets all of the specified criteria in GASBC Section I50: Investments to qualify to elect to measure their investments at amortized cost. Accordingly, the value of the District's position in the pool is equal to the value of the pooled shares.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets are defined by the District as assets with an initial, individual cost of $1,500 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, 2023.

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 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 definition of the classification previously described. The District's net position at September 30, 2023 is unrestricted.

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position (Continued)

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 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.

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, May 3, 2024 and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued Accounting Pronouncements, Not Yet Effective

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

GASB Statement No. 100, *Accounting Changes and Error Corrections*, This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 101*, Compensated Absences*, The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements, Not Yet Effective (Continued)

The District is currently evaluating the effects that these statements will have on its fiscal year 2024 financial statements.

Note 3 – DETAILED NOTES ON ALL FUNDS

Deposits and Investments

As of December 31, 2023, $118,977 of the District's bank balances is covered by federal depository insurance (FDIC). Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Depositories Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the District pursuant to Section 280.08, Florida Statutes.

The District's investments at September 30, 2023 are summarized in the following table:

	Amount	S&P Rating
Florida PRIME	$ 905,412	AAAm

The District has an investment in Florida PRIME, administered by the Florida State Board of Administration (SBA), which provides regulatory oversight. Florida PRIME is an external investment pool that meets all the necessary criteria to elect to measure the investment in Florida PRIME at amortized cost. The fair value of the position in the pool is equal to the value of the pooled shares.

At September 30, 2023, there were no redemption fees, maximum transaction amounts or liquidity fees, although Florida Statutes do provide authority for Florida PRIME to impose penalties for early withdrawals in certain situations. Florida Statutes provide emergency situations that allow limitations to be placed on contributions to and withdrawals from the investment pool.

The District's investment in Florida PRIME exposes it to credit risk and interest rate risk. The District does not have a formal investment policy relating to these risks, which are as follows:

Interest rate risk – Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment.

The weighted average days to maturity (WAM) of the Florida PRIME fund were 35 days.

Credit risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Florida PRIME is rated by Standard and Poor's and has a rating at September 30, 2023 of AAAm.

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 4 – COMMITMENTS AND CONTINGENCIES

During the ordinary course of its operation, the District is party to various claims, legal actions, and complaints. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of counsel for the District, the liabilities which may arise from such actions would not result in losses which would exceed the liability insurance limits in effect at the time the claim arose or otherwise materially affect the financial condition of the District or results of activities.

NOTE 5 – RISK MANAGEMENT – SELF-INSURANCE

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

For the year ended September 30, 2023	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	$ 687,915	$ 687,915	$ 713,557	$ 25,642
Interest income	120	120	30,875	30,755
Total revenues	688,035	688,035	744,432	56,397
Expenditures				
General government	200,558	200,558	148,120	52,438
Public safety	345,000	345,000	225,563	119,437
Physical environment	263,147	263,147	244,572	18,575
Transportation	361,500	361,500	45,295	316,205
Total expenditures	1,170,205	1,170,205	663,550	506,655
Excess (deficiency) of revenues over (under) expenditures	(482,170)	(482,170)	80,882	563,052
Fund balance, beginning of the year	858,000	858,000	858,000	-
Fund balance, end of year	$ 375,830	$ 375,830	$ 938,882	$ 563,052

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

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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*

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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 3, 2024.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and 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 the response.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Jacksonville, Florida
May 3, 2024

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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, 2023. 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

We are required to be independent and to meet our ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

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, 2023.

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.

Jacksonville, Florida
May 3, 2024

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MANAGEMENT LETTER

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

Report on the Financial Statements

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, 2023, and have issued our report thereon dated May 3, 2024.

Auditor's Responsibility

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

Other 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 the Financial Statements Performed in accordance with *Government Auditing Standards;* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated May 3, 2024, 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 taken to address findings and recommendations made in the preceding financial audit report. 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.

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	**2021-22 FY Finding #**	**2020-21 FY Finding #**
2023-001	2022-001	2021-001

Financial Condition and Management

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

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

Section 10.544(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.

Specific Information

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the District reported:

a. The total number of District employees compensated in the last pay period of the District's fiscal year as 1.

b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the District's fiscal year as 39.

c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as $10,800.

d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as $287,391.

e. Each construction project with a total cost of at least $65,000 approved by the District that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such projects as not applicable.

f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes, as included in the Required Supplementary Information as the Budgetary Comparison Schedule General Fund.

Specific Information (For an independent special district that imposes ad valorem taxes)

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)7, Rules of the Auditor General, the District reported:

a. The millage rate or rates imposed by the district as 0.27.

b. The total amount of ad valorem taxes collected by or on behalf of the district as $713,557.

c. No outstanding bonds issued by the District.

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 did not note any 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, the Board of Trustees of the Municipal Service District of Ponte Vedra Beach, and applicable management, 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. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

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

Jacksonville, Florida
May 3, 2024

2023-001 (Reported in previous audit reports as items 2022-001 and 2021-001.)

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.

Cause – Prior year audit adjustments were not posted and accounts payable was not recorded properly.

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 – See accompanying corrective action plan.

PONTE VEDRA BEACH
municipal service district

May 3, 2024

The Honorable Sherill F. Norman
Florida Auditor General
PO Box 1735
Tallahassee, FL 32202

RE: Audit Finding 2023-001

Dear Honorable Sherill F. Norman,

As Chairman of the Board of Trustees of the Ponte Vedra Beach Municipal Service District (the "Board"), I am responding to Audit Finding 2023-001 in the Board's annual audit. This same issue was previously addressed in a March 11, 2024, letter I sent on behalf of the Board to the Joint Legislative Audit Committee ("JLAC"). Accordingly, I will adopt the bulk of my letter to the JLAC as the Board's response to Audit Finding 2023-001.

The Board is composed of seven Trustees elected for a four-year term. The Board makes every effort to serve as conservative stewards of our constituents' tax dollars while also ensuring proper performance of our fiduciary duties. As a result, the Board has only one employee, a part-time secretary/bookkeeper. We firmly believe that we have sufficient controls in place to safeguard expenditures on behalf of our residents.

When a vendor submits an invoice, the bookkeeper reviews the invoice and cuts a check. The check is then attached to the invoice and is submitted to the Board's Treasurer. He compares the invoice with the check, initials the invoice and signs the check. The check and attached invoice are then given to a second Trustee who signs the check and initials the invoice. The Board then votes on approval of the checks at its monthly meeting.

The Board's bookkeeper has served as Accounting Manager, Finance for the past 12 years for the ATP Tour, the men's professional tennis circuit based in Ponte Vedra Beach. The Board's Treasurer is a retired banker with 38 years of banking experience. The Board's bookkeeper and Treasurer are each exceptionally qualified to fulfill their respective roles on the Board.

The Board utilizes the accrual accounting method with a fiscal year running from October 1st to September 30th. The issue underlying the auditor's comment concerns the manner in which the Board records expenditures for invoices paid in a fiscal year for services provided in the past fiscal year. For example, when a vendor renders services during the month of September, the last month in our fiscal year, the vendor may submit an invoice during October, the first month of the new fiscal year. The issue is during which fiscal year should the Board record expenditures paid

during October for services provided in September: a) the fiscal year in which the invoice is paid, b) the fiscal year in which the services were provided, or c) both fiscal years.

Currently, the Board records the expenditure in the fiscal year in which it is paid. However, the audit firm disagrees with this practice and recommends the following corrective action. First, when the Board pays an invoice in October for work performed in September, the bookkeeper should go back to the prior fiscal year to credit Accounts Payable and debit the vendor's account. Next, the bookkeeper should credit Cash in the current fiscal year and debit Accounts Payable. The Board will comply with this recommendation as "full corrective action ". Accordingly, this should resolve the matter.

I trust that this satisfactorily responds to the Audit Finding. If any more information is needed, please let me know.

Respectfully,

Alva A. Hollon, Jr., Chairman