HARBOUR WATERWAY SPECIAL DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

Howard & Company
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

HARBOUR WATERWAY SPECIAL DISTRICT

DUVAL COUNTY, FLORIDA

FOR THE YEAR ENDED JUNE 30, 2025

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Howard & Company
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John W. Howard
CPA/ABV/CFF, CVA

CPA Designation regulated By State of Florida

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS
HARBOUR WATERWAY SPECIAL DISTRICT

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Harbour Waterway Special District, (the "District"), as of and for the year ended June 30, 2025, 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 statement referred to above present fairly, in all material respects, the financial position of governmental activities, the business-type activities and each major fund of the District as of June 30, 2025, and the respective changes in financial position, and, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Governmental Auditing Standards (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 relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

American Institute of Certified Public Accountants

Florida Institute of Certified Public Accountants

CPACONNECT

4745 Sutton Park Court
Suite 102
Jacksonville, FL 32224

Phone 904.421.0690
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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 Harbour Waterway Special District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 opinion. 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 Harbour Waterway Special 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 Harbour Waterway Special 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.

Other Matters

Required Supplemental 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 part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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 consist 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 December 20, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in consideration of Harbour Waterway Special District's internal control over financial reporting and compliance.

In accordance with the *Rule of the Florida Auditor General*, we have also issued the management letter dated December 20, 2025.

Jacksonville, Florida
December 20, 2025

Howard & Company, CPAs, P.A.

Howard & Company
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

HARBOUR WATERWAY SPECIAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025
(Unaudited)

Management's discussion and analysis of Harbour Waterway Special District's (the "District") financial performance provides an analysis of the District's financial activities. The analysis provides summary financial information for the District and should be read in conjunction with the District's financial statements.

Overview of Financial Statements

The District is engaged in a single governmental program and administers only two funds, the General Fund and the Reed Island Enterprise Fund.

The basic financial statements of the District include a combined governmental fund and a government-wide statement, as well as notes to the financial statements. There is additional supplementary information following these financial statements, which may be of interest to the reader.

The statement of Governmental Fund Balance Sheet/Statement of Net Position is designed to provide the reader with the financial position of the District and is similar to private-sector financial statements. The statements include a Statement of Net Position and a Statement of Activities.

The statement of Governmental Fund Balance Sheet/Statement of Net Position, general fund column shows the District's near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirement.

All of the District's programs are considered to be governmental activities and are all related to the maintenance of the system of canals located in the Harbour, Harbour North, Harbour Cay, and Harbour Island neighborhoods. The District's primary source of funds for these activities is non-ad valorem assessment revenues from the property owners of the aforementioned neighborhoods.

The District has one business-type activity that is intended to recover any or all of these costs through user fees and charges. In February 2018 and again in April 2019, the District acquired a total of 182 acres from Jacksonville Port Authority and the City of Jacksonville on Reed Island as part of a plan to provide a permanent dredge disposal site for the District, other similar special districts, homeowner associations and private residences in Jacksonville. A Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows is presented for this Enterprise Fund, as applicable.

Overview of the Financial Statements – (Continued)

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

Financial Highlights

The following are various financial highlights for fiscal year ended June 30, 2025:

In order to maintain the spoil site and surrounding properties, the District owns a T-770 Bobcat Track Loader at a cost of $86,003. The District plans to purchase additional equipment to maintain the spoil site.

The District's overall net position increased by approximately $159,872. This was primarily due to tipping fees collected from dredging projects related to the Reed Island spoil site.

Total ending net position was approximately a positive $1,706,955.

The District had total expenses for the year of about $338,165 compared to revenues of approximately $498,037.

The District's acquisition of the Reed Island acreage for use as a spoil site will provide approximately 1.5 million cubic yards of fill space, which is estimated to provide dredge material disposal requirements for the next 50 years. The District will reserve 450,000 cubic yards for its own needs and will make the remaining fill space available on a commercial basis.

In an exchange with an unrelated commercial dredge operator, the District allowed the operator to purchase 300,000 cubic yards of the spoil site for deposit of dredge material, plus an estimated additional 210,000 cubic yards in exchange for spoil site development. The operator paid tipping fees totaling $1,687,500 over a three-year period. In the fiscal year ended June 30, 2019, the District received 50% or $843,750 as a down payment. In 2022, the operator purchased an additional 200,000 cubic yards of capacity for $1,500,000, plus an estimated additional 152,000 cubic yards was granted to the operator in exchange for spoil site development. These fees have been reflected as unearned revenue in the accompanying propriety fund financial statements.

Financial Highlights – (Continued)

In an agreement with another similar special district, the District is permitting Isle of Palms Special District to use 300,000 cubic yards of spoil site capacity for deposit of dredge material. Isle of Palms will pay tipping fees totaling $1,187,500. In the fiscal year ended June 30, 2020, the District received 50% or $593,750 as down payment and will receive the balance in three equal payments over the next three years. The total fees agreed upon has been reflected as unearned revenue in the accompanying propriety fund financial statements.

Financial Analysis of the District

The following schedule provides a summary of the assets, liabilities, and net position of the District.

Over time, net position may serve as a useful indicator of a district's financial position. In the case of the District, assets exceed liabilities by $1,706,955 at the close of the fiscal year. This year of financial activity of the District reflects revenues in excess of expenses, resulting in an increase in net position.

	FYE 2025	FYE 2024	FYE 2023	FYE 2022
Current assets	$ 2,465,521	$ 2,622,256	$ 2,981,385	3,165,787
Non-current assets	1,324,356	1,188,550	915,841	739,971
Capital assets	545,686	573,795	459,791	461,320
Total Assets	4,335,563	4,384,600	4,357,016	4,367,077
Current liabilities	62,241	62,075	59,246	65,786
Non-current liabilities	2,566,367	2,775,444	2,885,322	3,456,048
Total Liabilities	2,628,608	2,837,519	2,944,568	3,521,834
Net position	$ 1,706,955	$ 1,547,082	$ 1,412,449	$ 845,245
Total Net Position	$ 1,706,955	$ 1,547,082	$ 1,412,449	845,245
District Revenues				
Operating revenues	$ 396,998	$ 455,649	$ 776,629	1,421,774
Non-operating revenues	101,039	44,755	-	-
Total Revenues	498,037	500,404	776,629	1,421,774
Expenses				
Depreciation/Amortization expense	28,109	20,854	19,384	18,240
Dredging & Spoil Site expenses	9,735	17,494	9,092	40,595
Marina	73,596	184,172	34,813	-
Reed Island Park	70,761	2,999	-	-
Other operating expenses	155,965	140,253	146,134	138,600
Total Expenses	338,165	365,771	209,424	197,435
Change in Net Position	$ 159,872	$ 134,633	$ 567,205	$ 1,224,339
Net Position - Beginning of Year	$ 1,547,083	$ 1,412,450	$ 845,245	(379,093)
Net Position - End of Year	$ 1,706,955	$ 1,547,083	$ 1,412,450	$ 845,245

While the statement of net position shows the change in net position, the statement of revenues, expenditures and changes in fund balance provides answers as to the nature and source of these changes.

Budgetary Highlights

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

Assessment revenues received in the General Fund were $4,532 more than the budgeted amount due primarily to returned and uncashed tax rebate checks of assessments to lot owners.

General Fund expenditures were $61,708 higher than budgeted amounts due primarily to the following: completion of the renovation to the Marina within the District was delayed by over a year resulting in an expense of $67,894 from the prior budget year posting in the current fiscal year. All of delayed projects are anticipated to finish in fiscal year 2025-26.

Administrative expenditures were approximately $20,380 higher than budgeted amounts due primarily to higher Federal Taxes, FICA deductions totaling $6,593 and an increase in General liability and Pollution liability insurance totaling $7,720.

Economic Factors and Future Activities

The District's Board of Supervisors are anticipating that the District's financial condition will improve considerably due to the increase in its planned business-type activities in the future. With its land acquisitions, the District will be able to provide dredge disposal services to other similar special districts and waterways in Jacksonville at favorable rates for at least the next 25 years.

Contacting the District's Financial Management

The financial report is designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions concerning any of the information provided in this report or need additional information, contact the District's Manager, Stanley H. Pipes, Jr., at 11554 Starboard Drive, Jacksonville, FL 32225.

HARBOUR WATERWAY SPECIAL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2025

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	$ -	$ 2,460,887	$ 2,460,887
Prepaid insurance	3,323	1,311	4,634
Total current assets	3,323	2,462,198	2,465,521
Capital assets			
Office equipment, net of accumulated depreciation of $7,211	2,491	-	2,491
Vehicles and equipment, net of accumulated depreciation of $47,299	-	95,169	95,169
Reed Island Park	32,783	-	32,783
Land - March Parcel No. 160266-0900	8,350	-	8,350
Land - Marina Parcel No. 160266-1150	2,785	-	2,785
Land - Marina Parcel No. 160671-0080	9,091	-	9,091
Land - Reed Island Parcel No. 160258	95,017	-	95,017
Land - Reed Island Parcel No. 160259	300,000	-	300,000
Net capital assets	450,517	95,169	545,686
Other noncurrent assets			
Tax certificates	30,929	-	30,929
Boat slip licenses	24,000	-	24,000
Due from government fund	-	1,269,427	1,269,427
Total other noncurrent assets	54,929	1,269,427	1,324,356
Total assets	$ 508,769	$ 3,826,794	$ 4,335,563
Liabilities			
Current liabilities			
Accounts payable	$ 7,551	$ 561	$ 8,112
Accrued interest payable	1,174	-	1,174
Accrued wages and taxes payable	1,107	1,935	3,042
Current Portion of Revenue Note Payable	49,913	-	49,913
Total current liabilities	59,745	2,496	62,241
Noncurrent liabilities			
Revenue Note Payable - non-current	106,665	-	106,665
Unearned revenue - tipping fees	-	1,190,275	1,190,275
Due to Reed Island Enterprise Fund	1,269,427	-	1,269,427
Total noncurrent liabilities	1,376,092	1,190,275	2,566,367
Total liabilities	1,435,837	1,192,771	2,628,608
Net Position			
Net investment in capital assets	450,517	95,169	545,686
Unrestricted	(1,377,585)	2,538,854	1,161,269
Net position	(927,068)	2,634,023	1,706,955
Total Liabilities and Net Position	$ 508,769	$ 3,826,794	$ 4,335,563

See Independent Auditor's Report and Notes to Financial Statements.

Howard & Company
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

HARBOUR WATERWAY SPECIAL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2025

	Governmental Activities	Business-Type Activities	Total
Operating revenues			
Assessment income	$ 211,758	$ -	$ 211,758
Less: Prior year assessment rebate	(101,250)	-	(101,250)
Boat slip fees	-	-	-
Interest income	-	101,039	101,039
Gain on disposal of equipment	-	-	-
Reed Island tipping fees earned	-	286,490	286,490
Total operating revenues	110,508	387,529	498,037
Operating expenditures			
Personnel costs	47,139	36,762	83,901
Dredging & spoil site maintenance	75,064	79,028	154,092
Interest expense	8,837	-	8,837
Legal service	14,325	5,418	19,743
Auditing expense	8,020	-	8,020
Legal advertising	162	-	162
Insurance	14,111	9,686	23,797
Office supplies	312	-	312
Depreciation expense	1,196	26,913	28,109
Other administrative	10,641	551	11,192
Total operating expenditures	179,807	158,358	338,165
Change in net position	(69,299)	229,171	159,872
Net position, beginning of year	(857,769)	2,404,852	1,547,083
Net position, end of year	$ (927,068)	$ 2,634,023	$ 1,706,955

See Independent Auditor's Report and Notes to Financial Statements.

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HARBOUR WATERWAY SPECIAL DISTRICT

GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION

JUNE 30, 2025

	General Fund	Adjustments	Statement of Net Position
Assets			
Current assets			
Cash and cash equivalents	$ -	$ -	$ -
Prepaid insurance	3,323	-	3,323
Total current assets	3,323	-	3,323
Capital assets			
Office equipment, net of accumulated depreciation of $6,015	2,491	-	2,491
Reed Island Park	32,783		32,783
Land - March Parcel No. 160266-0900	8,350	-	8,350
Land - Marina Parcel No. 160266-1150	2,785	-	2,785
Land - Marina Parcel No. 160671-0080	9,091	-	9,091
Land - Reed Island Parcel No. 160258	95,017	-	95,017
Land - Reed Island Parcel No. 160259	300,000	-	300,000
Net capital assets	450,517	-	450,517
Other noncurrent assets			
Tax certificates	30,929	-	30,929
Boat slip licenses	24,000	-	24,000
Total other noncurrent assets	54,929	-	54,929
Total assets	$ 508,769	$ -	$ 508,769
Liabilities			
Current liabilities			
Accounts payable	$ 7,551	$ -	$ 7,551
Accrued interest payable	1,174	-	1,174
Accrued wages and taxes payable	1,107	-	1,107
Current Portion of Revenue Note Payable	49,913	-	49,913
Total current liabilities	59,745	-	59,745
Noncurrent liabilities			
Revenue Note Payable - non-current	106,665	-	106,665
Unearned revenue - tipping fees	-	-	-
Due to Reed Island Enterprise Fund	1,269,427	-	1,269,427
Total noncurrent liabilities	1,376,092	-	1,376,092
Total liabilities	1,435,837	-	1,435,837
Fund Balance			
Unassigned	(927,068)	927,068	-
Total liabilities and fund balance	$ 508,769		
Net Position			
Net investment in capital assets		450,517	
Unrestricted		(1,377,585)	(927,068)
Net position		(927,068)	(927,068)
Total Liabilities and Net Position		$ -	$ 508,769

See Independent Auditor's Report and Notes to Financial Statements.

Howard & Company
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

HARBOUR WATERWAY SPECIAL DISTRICT

GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF ACTIVITIES

JUNE 30, 2025

	General Fund	Adjustments	Statement of Activities
Operating revenues			
Assessment income	$ 211,758	$ -	$ 211,758
Less: Prior year assessment rebate	(101,250)	-	(101,250)
Boat slip fees	-	-	-
Other donations	-	-	-
Reed Island tipping fees earned	-	-	-
Total operating revenues	110,508	-	110,508
Operating expenditures			
Personnel costs	47,139	-	47,139
Dredging & spoil site maintenance	75,064	-	75,064
Interest expense	8,837	-	8,837
Legal service	14,325	-	14,325
Auditing expense	8,020	-	8,020
Legal advertising	162	-	162
Insurance	14,111	-	14,111
Office supplies	312	-	312
Depreciation expense	1,196	-	1,196
Other administrative	10,641	-	10,641
Total operating expenditures	179,807	0	179,807
Change in net position	(69,299)	0	(69,299)
Fund balance/Net position, beginning of year	(857,769)	-	(857,769)
Fund balance/Net position, end of year	$ (927,068)	$ -	$ (927,068)

See Independent Auditor's Report and Notes to Financial Statements.

Howard & Company
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

HARBOUR WATERWAY SPECIAL DISTRICT

PROPRIETARY FUND – REED ISLAND ENTERPRISE FUND
STATEMENT OF NET POSITION

JUNE 30, 2025

	Business-Type Activities	Adjustments	Statement of Net Position
Assets			
Current assets			
Cash and cash equivalents	$ 2,460,887	$ -	$ 2,460,887
Prepaid insurance	1,311	-	1,311
Total current assets	2,462,198	-	2,462,198
Capital assets			
Vehicles and equipment, net of accumulated depreciation of $48,495	95,169	-	95,169
Net capital assets	95,169	-	95,169
Other noncurrent assets			
Due from government fund	1,269,427	-	1,269,427
Total other noncurrent assets	1,269,427	-	1,269,427
Total assets	$ 3,826,794	$ -	$ 3,826,794
Liabilities			
Current liabilities			
Accounts payable	$ 561	$ -	$ 561
Accrued wages and taxes payable	1,935	-	1,935
Total current liabilities	2,496	-	2,496
Noncurrent liabilities			
Unearned revenue - tipping fees	1,190,275	-	1,190,275
Total noncurrent liabilities	1,190,275	-	1,190,275
Total liabilities	1,192,771	-	1,192,771
Fund Balance			
Unassigned	2,634,023	(2,634,023)	-
Total liabilities and fund balance	$ 3,826,794		
Net Position			
Net investment in capital assets		95,169	95,169
Unrestricted		2,538,854	2,538,854
Net position		2,634,023	2,634,023
Total Liabilities and Net Position		$ -	$ 3,826,794

See Independent Auditor's Report and Notes to Financial Statements.

Howard & Company
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HARBOUR WATERWAY SPECIAL DISTRICT

STATEMENT OF PROPRIETARY FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2025

	Reed Island Enterprise Fund	Adjustments	Total
Operating revenues			
Reed Island tipping fees earned	$ 286,490	-	$ 286,490
Interest income	101,039	-	101,039
Gain on disposal of equipment	-	-	-
Total operating revenues	387,529	-	387,529
Operating expenditures			
Personnel costs	36,762	-	36,762
Dredging & spoil site maintenance	79,028	-	79,028
Legal service	5,418	-	5,418
Insurance	9,686	-	9,686
Depreciation expense	26,913	-	26,913
Other administrative	551	-	551
Total operating expenditures	158,358	-	158,358
Change in net position	229,171	-	229,171
Fund balance/Net position, beginning of year	2,404,852	-	2,404,852
Fund balance/Net position, end of year	$ 2,634,023	$ -	$ 2,634,023

See Independent Auditor's Report and Notes to Financial Statements.

Howard & Company
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

HARBOUR WATERWAY SPECIAL DISTRICT

PROPRIETARY FUND – REED ISLAND ENTERPRISE FUND
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2025

CASH FLOWS FROM BUSINESS-TYPE ACTIVITIES		
Receipts from customers	$	-
Interest income		101,039
Proceeds from disposal of equipment		-
Equipment purchases		-
Net advances to government fund		(127,325)
Payments to suppliers		(90,972)
Payments to employees		(34,150)
Net cash flows from business-type activities		(151,408)
Cash and cash equivalents, beginning of year		2,612,295
Cash and cash equivalents, end of year	$	2,460,887
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	$	229,171
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation		26,912
Gain on disposal of equipment		-
Change in financial position accounts:		
Accounts receivable - tipping fees		-
Due from government fund		(127,325)
Prepaid insurance		6,726
Equipment purchases		-
Proceeds from disposal of equipment		-
Accounts payable		(91)
Accrued wages and taxes payable		(312)
Unearned revenue - tipping fees		(286,489)
Net cash used in business-type activities	$	(151,408)

See Independent Auditor's Report and Notes to Financial Statements.

Howard & Company
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The District is a dependent special district, created in 2010 by the City Council under ordinance number 2010-725-E of the City of Jacksonville, Duval County, Florida pursuant to Section 189.4041 of the Florida Statutes; adopting a charter for the Harbour Waterway Special District for the limited purpose of maintaining the system of canals located in the Harbour, Harbour North, Harbour Cay, and Harbour Island neighborhoods. It operates under the direction of a Board of Supervisors elected by the registered voters within the District.

The District uses the criteria established in GASB Statement No. 14 to define the reporting entity and identify component units. Component units are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the District's financial statements to be misleading or incomplete. There are no entities to consider for inclusion as a component unit within the District's reporting entity. The District did not participate in any joint ventures during the 2024-2025 fiscal year.

Basic Financial Statements

The District is engaged in a single governmental program and administers two funds, the General Fund and the Reed Island Fund. The Statement of Net Position reports the District's financial position as of the end of the fiscal year for the General Fund. The District has taken the option of presenting combined fund financial statements and government-wide statements using a columnar format that reconciles fund financial data to government-wide data in a separate column.

The Statements of Governmental Fund Balance Sheet and Net Position reports the District's financial position as of the end of the fiscal year for both the General Fund and the governmental activities.

The Statement of Revenues, Expenditures and Change in Fund Balances and the Statement of Activities reports changes in the financial position of the General Fund and the governmental activities, and the degree to which functional activities are offset by program revenues for the governmental activities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Measurement, Basis of Accounting and Financial Statement Presentation

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The District's governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded when the related fund liability is incurred.

Business-type activities and the proprietary fund financial statements are presented on the accrual basis of accounting. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

Net Position

Net position represents the difference between assets and liabilities reported for the governmental activities. Net position is reported as restricted when there are externally imposed restrictions or restrictions imposed by enabling legislation. Unrestricted net positions are net positions that do not meet the definition of the classification previously described. As of June 30, 2025, the District had no restricted net position.

Cash and Cash Equivalents

All of the cash deposits of the District are placed with qualified public depositories and are insured by federal depository insurance.

Fund Types and Major Funds

Governmental Funds

General-Fund - The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – (Continued)

Fund Types and Major Funds – (Continued)

Proprietary Funds

Enterprise Fund – Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services. The activities reported in this fund are reported as business-type activities in the government-wide financial statements. The Reed Island Enterprise Fund is 182 acres with a 44-acre spoil site that is part of a plan to provide a permanent dredge disposal site for the District, other special districts, homeowner associations, and private residences in Jacksonville.

Budgets and Budgetary Accounting

The District prepares a budget for its General Fund-Statement of Revenues and Expenditures on a consistent basis, which does not differ materially from generally accepted accounting principles. The budget and amendments, if any, are approved by the District.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

Risk Management

The District is exposed to various risks of loss including general liability, property, and officials' liability. To manage its risks, the District has commercial insurance and participates in the Florida Mutual Insurance Trust administered by the Florida League of Cities. The District pays an annual premium to the Trust for its coverage. The premiums are designed to fund the liability risks assumed by the Trust and are based on certain actual exposures of each member.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Non-Ad Valorem Assessments and Collection

Florida Statutes requires that special districts provide for the collection and enforcement of non-ad valorem assessments, expressing the specific intent to use the uniform method of levy, collection and enforcement. The District has entered into an interlocal agreement with the Duval County Property Appraiser and the Duval County Tax Collector to administer the collection and enforcement of the non-ad valorem assessments.

Allowance for Credit Losses

As explained in the paragraph above, delinquent taxes and special assessments are subject to collection by the Tax Collector's office through the sale of tax certificates on real property and the issuance of warrants for seizure and sale of tangible personal property. Consequently, an allowance for credit losses is not maintained because the District believes all amounts will ultimately be collected by the Duval County Tax Collector.

2. CONCENTRATION OF CREDIT RISK

At June 30, 2025, a total of $314,943 in cash is on deposit at one financial institution which exceeds the federally issued maximum limits. The District has not experienced, nor does it anticipate, any losses with respect to such accounts.

In addition to insurance provided by the Federal Deposit Insurance Corporation, cash of approximately $2,145,944 is held by the State Board of Administration – Local Government Surplus Trust Funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposit Act, the State Treasurer requires all Florida qualified depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of a failure of qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

3. REVENUE NOTE PAYABLE

Revenue Note payable at June 30, 2025 is as follows:

Series 2018
$450,000 Harbour Waterway Special District, Duval County, Florida Taxable Special Assessment Revenue Note, Series 2018 was issued to pay the cost of the purchase of land.

Payments remaining are to be made as follows:

	Interest	Principal	Total
May 1, 2026	7,046	49,913	56,959
May 1, 2027	4,800	52,159	56,959
May 1, 2028	2,452	54,506	56,958
Total	$ 14,298	$ 156,578	$ 170,876

The note is secured by the non-ad valorem assessments of the District.

4. CAPITAL ASSET - LAND

In February 2018, the District purchased a 138-acre parcel of land from Jacksonville Port Authority known as Reed Island. In May 2019, the District completed its purchase of a 44-acre parcel of land on Reed Island from the City of Jacksonville. These parcels were acquired at a cost of $395,017 and are stated in the accompanying balance sheet at historical cost. This property is used as a dredge spoil site by the District. The District allows others who are similarly situated, such as homeowners' associations and special districts, to use the property as a dredge spoil site on commercially reasonable terms as the District may establish.

5. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 20, 2025, which is the date the financial statements were available to be issued. In the opinion of management, no events occurred subsequent to June 30, 2025, through December 20, 2025, that require adjustment to the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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HARBOUR WATERWAY SPECIAL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE AND ACTUAL – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts			Variance Over
	Original	Final	Actual	(Under)
Revenues				
Net assessments	$ 104,500	$ 104,500	$ 110,508	$ 6,008
Boat slip fees	6,825	6,825	-	(6,825)
Spoil revenue	-	-	286,490	286,490
Other income	96,000	96,000	101,039	5,039
Total Revenues	207,325	207,325	498,037	290,712
Expenditures				
Administrative				
Personnel costs	77,791	77,791	83,901	6,110
Legal services	14,400	14,400	19,743	5,343
Annual audit	7,650	7,650	8,020	370
Legal advertising	200	200	162	(38)
Office supplies and postage	900	900	312	(588)
Insurance	10,750	10,750	23,797	13,047
Depreciation expense	-	-	28,109	28,109
Other administrative expenditures	5,192	5,192	11,192	6,000
Total Administrative Expenditures	116,883	116,883	175,236	58,353
Canal Maintenance and Dredging Operations				
COJ Park & Recreation	-	-	-	-
Dredging contractor	-	-	770	770
Repair bulkhead	-	-	-	-
Marine surveyor	-	-	3,850	3,850
Spoil site development expenses	12,000	12,000	78,710	66,710
Reed Island Park development expenses	77,500	77,500	70,762	(6,738)
Engineering fees	-	-	-	-
Total Canal Maintenance and Dredging Operations	89,500	89,500	154,092	64,592
Debt Service				
Interest expense & loan fees	56,959	56,959	56,601	(358)
Total Debt Service	56,959	56,959	56,601	(358)
Total Expenditures	263,342	263,342	385,929	122,587
Excess Revenues (Expenditures)	$ (56,017)	$ (56,017)	$ 112,108	$ 168,125
Fund Balance - beginning of year	1,547,083	1,547,083	1,547,083	-
Fund Balance - end of year	$ 1,491,066	$ 1,491,066	$ 1,659,191	$ 168,125

Note to Schedule

The budget is prepared by the Treasurer and approved by the Board of Supervisors. The final budgeted revenues and expenditures reflect all amendments approved by the Board of Supervisors. The budget is prepared on the accrual basis of accounting, which is consistent with generally accepted accounting principles.

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ADDITIONAL ELEMENTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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CPA Designation regulated By State of Florida

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 Supervisors
Harbour Waterway Special District

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 Harbour Waterway Special District, which comprise the statement of net position as of June 30, 2025, and the related statements of revenues, expenses and changes in net position for the fiscal year then ended, and the related notes to the financial statements, and have issued my report thereon dated December 20, 2025.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, we considered Harbour Waterway Special 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Harbour Waterway Special District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Harbour Waterway Special 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.

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Internal Control over Financial Reporting – (Continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Harbour Waterway Special 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Howard & Company, CPAs, P.A.

Howard & Company
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

ADDITIONAL ELEMENTS REQUIRED BY AUDITOR GENERAL

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INDEPENDENT AUDITOR'S MANAGEMENT LETTER

December 20, 2025

Board of Supervisors
Harbour Waterway Special District Jacksonville, Florida

We have audited the basic financial statements of the Harbour Waterway Special District as of and for the year ended June 30, 2025, and have issued my report thereon dated December 20, 2025. 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. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. Disclosures in that report, which is dated December 20, 2025, should be considered in conjunction with this Management Letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's report.

CURRENT YEAR COMMENTS

Investment of Public Funds

Rules of the Auditor General require my audit to include a review of the Harbour Waterway Special District's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with my audit, we determined that the Harbour Waterway Special District complied with Section 218.415, Florida Statutes.

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CURRENT YEAR COMMENTS – (Continued)

Current Year Recommendations

Rules of the Auditor General require that we address in the Management Letter any recommendations to improve financial management. In connection with our audit, we did not have any recommendations that are required to be reported in this letter.

Violations of Contracts and Grant Provisions or Abuse

Rules of the Auditor General require that we address violations of provisions of contracts or grant agreements, fraud, illegal acts, 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 more than inconsequential. In connection with our audit, we did not have any such findings.

Matters Inconsequential to the Financial Statements

Rules of the Auditor General provides that the auditor may, based upon professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse; and (2) deficiencies in internal control that are not significant deficiencies. In connection with my audit for the fiscal year ended June 30, 2025, we did not have any such findings.

Oversight Unit and Component Units

Rules of the Auditor General require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this Management Letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 to the financial statements.

Consideration of Financial Emergency Criteria

Rules of the Auditor General require a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503, Florida Statues, and identification of the specific conditions met. In connection with our audit, we determined that the Harbour Waterway Special District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

PACE Program

Harbour Waterway Special District does not operate a Property Assessed Clean Energy ("PACE") program within the District. The PACE program offers loans to homeowners to improve energy efficiency, water conservation, and wind mitigation, which is not part of Harbour Waterway Special District's allowed activities. These functions are administered at the State and City Government level.

CURRENT YEAR COMMENTS – (Continued)

Annual Financial Report

Rules of the Auditor General require that we determine whether the annual financial report for Harbour Waterway Special District for the fiscal year ended June 30, 2025, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statues, is in agreement with the annual financial audit report for the fiscal year ended June 30, 2025. In connection with our audit, we determined that these two reports were in substantial agreement.

Financial Condition Assessment Procedures

Rules of the Auditor General require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the Harbour Waterway Special District's 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 results of our procedures did not disclose any matters that are required to be reported.

Information of a Dependent Special District as Provided in Section 218.39(a), Florida Statutes

(1) the total number of district employees compensated in the last pay period of the fiscal year; HWSD had one part-time employee during the last pay period of FY 2024-2025.
(2) the total number of independent contractors compensated in the last month of the fiscal year; There were eight (8) independent contractors.
(3) all compensation paid or accrued to employees; Total compensation paid to employees for FY 2024-25 was $83,901.
(4) all compensation paid/accrued to independent contractors for FY 2024-25 was $98,921.
(5) each construction project with cost of at least $65,000 approved by the District and scheduled to begin after October 1 of the reporting year and total expenditures of such project; There were two projects for Reed Island Park dock/picnic pavilions and bulkhead construction projects in FY 2024/25 over $65,000. The costs incurred for FY 2024/25 was $144,357.
(6) a budget variance report based on the budget adopted under Section 189.016(4), Florida Statutes, and the amended budget under Section 189.016(6), Florida Statutes.

Attached is the budget variance report. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information on the next page is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Howard & Company
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This information is intended solely for the use of the Board of Supervisors of the Harbour Waterway Special District and the Florida Auditor General and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

John W. Howard, CPA

John W. Howard, CPA

Howard & Company
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HARBOUR WATERWAY SPECIAL DISTRICT

FISCAL YEAR 2024-25 BUDGET - CASH FLOW BASIS

BUDGET VARIANCE ANALYSIS - GOVERNMENTAL & ENTERPRISE FUNDS

DESCRIPTION	ACTUAL FY 2024/25	BUDGET FY 2024/25	VARIANCE Positive / (Negative) DOLLAR	PERCENT
FUND BALANCES AT BEGINNING OF YEAR - (Carry Forward Surplus)	**$ 2,616,065**	**$ 2,100,306**	***$ 515,759***	*24.6%*
OPERATING REVENUES				
Net Assessments	$ 214,032	$ 209,500	*$ 4,532*	*2.2%*
- Tax Rebate - 50% refund on non-Ad Valorem Assessment	$ (95,875)	$ (105,000)	*$ 9,125*	*-8.7%*
Spoil Site Disposal Fees	$ -	$ -	*$ -*	
Interest Income	$ 101,039	$ 96,000	*$ 5,039*	*5.2%*
Marina License Fees	$ -	$ 6,825	*$ (6,825)*	*-100.0%*
Misc Income - Refund of Legal Fees; refund of taxes	$ 189	$ -	*$ 189*	*100.0%*
Total Revenue	**$ 219,384**	**$ 207,325**	***$ 12,059***	*5.8%*
Total Revenue plus Beginning Surplus Funds	***$ 2,835,449***	***$ 2,307,631***	***$ 527,818***	***22.9%***
EXPENDITURES				
Professional Services				
Personnel Services includes temp labor	$ 61,551	$ 61,000	*$ 551*	*0.9%*
Federal Taxes; FICA; Unemployment Insurance	$ 23,384	$ 16,791	*$ 6,593*	*39.3%*
Legal Services	$ 16,458	$ 14,400	*$ 2,058*	*14.3%*
Administrative Services	$ 1,800	$ 1,800	*$ -*	*0.0%*
Accounting & Audit Services	$ 7,500	$ 7,650	*$ (150)*	*-2.0%*
Administrative				
Office Supplies & Postage	$ 487	$ 900	*$ (413)*	*-45.9%*
Rental - Meeting Room	$ 1,800	$ -	*$ 1,800*	*100.0%*
Communication Services - Web Hosting	$ 455	$ 286	*$ 169*	*59.1%*
Legal & Promotional Advertising	$ 158	$ 200	*$ (42)*	*-21.1%*
Other Administrative Expenses	$ 3,026	$ 926	*$ 2,100*	*226.8%*
Other Expenses				
Insurance - General Liability & Pollution	$ 18,470	$ 10,750	*$ 7,720*	*71.8%*
Publications and Memberships	$ 2,175	$ 2,175	*$ -*	*0.0%*
Property Taxes - Parcel 160259	$ -	$ 5	*$ (5)*	*100.0%*
Interest Expense on Revenue Notes	$ 9,195	$ 9,195	*$ 0*	*0.0%*
Revenue Note Principal Payments	$ 47,764	$ 47,764	*$ (0)*	*0.0%*
Total Professional, Administrative & Other Expenditures	***$ 194,222***	***$ 173,842***	***$ 20,380***	***11.7%***
Canal Maintenance & Dredging Operations				
Dredging / Marine Contractor	$ 770	$ -	*$ 770*	*100.0%*
Repair Bulkhead - COJ/JEA & Mill Cove Channel	$ -	$ -	*$ -*	0.0%
Marine Surveyor	$ -	$ -	*$ -*	0.0%
Dredging Permits		$ -	*$ -*	0.0%
Spoil Site Development Expenses	$ 16,350	$ 12,000	*$ 4,350*	*36.3%*
Navigational Aids & Markers	$ -	$ -	*$ -*	*100.0%*
Marine Engineering Consultant	$ -	$ -	*$ -*	0.0%
Reed Island Park Development	$ 64,059	$ 77,500	*$ (13,441)*	*-17.3%*
Total Canal Maintenance & Dredging Operations	***$ 81,179***	***$ 89,500***	***$ (8,321)***	***-9.3%***
Capital Expenditures				
Purchase equipment as required	$ -	$ -	*$ -*	0.0%
Renovate HWSD Marina	$ 76,894	$ 9,000	*$ 67,894*	*754.4%*
Purchase Tax Certificates	$ 14,254	$ 7,500	*$ 6,754*	*90.1%*
Purchase parcels adjacent to HWSD	$ -	$ 25,000	*$ (25,000)*	*-100.0%*
TOTAL EXPENDITURES	***$ 366,550***	***$ 304,842***	***$ 61,708***	***20.2%***
FUND BALANCES AT END OF YEAR - Excess Revenue / (Expenditures)	***$ 2,468,899***	***$ 2,002,789***	***$ 466,110***	***23.3%***

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

Board of Supervisors
Harbour Waterway Special District
Jacksonville, Florida

We have examined the Harbour Waterway Special District's compliance with Section 218.415, Florida Statutes during the year ended June 30, 2025. Management of Harbour Waterway Special District is responsible for the Harbour Waterway Special District's compliance with the specified requirements. Our responsibility is to express an opinion on Harbour Waterway Special District's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Harbour Waterway Special District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Harbour Waterway Special 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 other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

Our examination does not provide a legal determination on the Harbour Waterway Special District's compliance with the specified requirements.

In our opinion, the Harbour Waterway Special District complied, in all material respects, with Section 218.415, Florida Statutes for the year ended June 30, 2025.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General,

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

Jacksonville, Florida
December 20, 2025

Howard & Company, CPAs, P.A.

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