

ORANGE HILL SOIL & WATER CONSERVATION DISTRICT
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

Orange Hill Soil & Water Conservation District
Board of Supervisors
At September 30, 2010

John E. Gilbert
Jo Ann Walsingham
Ty Peel
Cliff White
George C. Owens

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INDEPENDENT AUDITOR'S REPORT

GRIMSLEY, CAVIN & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

DALE L. CAVIN, C.P.A.

DONNA F. ROGERS, C.P.A.

MEMBERS
FLORIDA INSTITUTE AND
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Orange Hill Soil and Water Conservation District
103 N. Oklahoma Street
Bonifay, FL 32425

We have audited the accompanying financial statements of the governmental activities and the major fund of the Orange Hill Soil and Water Conservation District, as of and for the year ended September 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Orange Hill Soil and Water Conservation District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Orange Hill Soil and Water Conservation District, as of September 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2011, on our consideration of the Orange Hill Soil and Water Conservation 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Orange Hill Soil and Water Conservation District has not presented the Management, Discussion and Analysis required by GASB 34, that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.

Grimsley, Cavin & Company

Marianna, Florida
November 14, 2011

Grimsley, Cavin & Company, P.A.
Certified Public Accountants

FINANCIAL STATEMENTS

Orange Hill Soil & Water Conservation District
Statement of Net Assets
September 30, 2010

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 10,405
Capital Assets:	
Equipment, Net of Depreciation	<u>11,471</u>
Total Assets	<u>21,876</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	11,471
Unrestricted	<u>10,405</u>
Total Net Assets	<u>\$ 21,876</u>

The notes to the financial statements are an integral part of this statement.

Orange Hill Soil & Water Conservation District
Statement of Activities
For the Year Ending September 30, 2010

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
General Government	\$ 30,924	\$ 13,010	\$ -	\$ (17,914)
Total governmental activities	<u>\$ 30,924</u>	<u>\$ 13,010</u>	<u>\$ -</u>	<u>(17,914)</u>
General Revenues:				
Miscellaneous				2,450
Total General Revenues				<u>2,450</u>
Change in Net Assets				(15,464)
Net Assets - beginning				<u>37,340</u>
Net Assets - ending				<u>\$ 21,876</u>

The notes to the financial statements are an integral part of this statement.

Orange Hill Soil & Water Conservation District
Balance Sheet
Governmental Funds
September 30, 2010

	General Fund
ASSETS	
Cash	\$ 10,405
Total Assets	<u>\$ 10,405</u>
LIABILITIES AND FUND BALANCE	
Fund Balance:	
Unreserved -	
Undesignated	<u>10,405</u>
Total Fund Balance	<u>10,405</u>
Total Liabilities & Fund Balance	<u>\$ 10,405</u>

The notes to the financial statements are an integral part of this statement.

Orange Hill Soil & Water Conservation District
Reconciliation of the Balance Sheet
To the Statement of Net Assets
For the Year Ended September 30, 2010

Total Fund Balances - Total Governmental Funds	\$ 10,405
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	<u>11,471</u>
Total net assets	<u>\$ 21,876</u>

The notes to the financial statements are an integral part of this statement.

Orange Hill Soil & Water Conservation District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2010

	<u>General Fund</u>
REVENUES	
Charges for Services	13,010
Miscellaneous Revenues	2,450
Total Revenues	15,460
EXPENDITURES	
Current:	
General Government	27,922
Total Expenditures	27,922
Excess (deficiency) of revenues over expenditures	(12,462)
Net Change in Fund Balance	(12,462)
Fund Balance - beginning	22,867
Fund Balance - ending	\$ 10,405

The notes to the financial statements are an integral part of this statement.

Orange Hill Soil & Water Conservation District
Reconciliation of the Statement of Revenues, Expenditures,
And Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended September 30, 2010

Net change in fund balances - total government funds \$ (12,462)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets, is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

(3,002)

Change in net assets of governmental activities \$ (15,464)

NOTES TO FINANCIAL STATEMENTS

Orange Hill Soil and Water Conservation District
Notes to Financial Statements
September 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Introduction

The basic financial statements of the Orange Hill Soil and Water Conservation District (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 accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the District's financial activities for the fiscal year ended September 30, 2010.

Reporting Entity

The Orange Hill Soil and Water Conservation District (the "District") was established April 3, 1940 as an independent special district in accordance with the provisions of the Soil and Water Conservation Law, Chapter 582, Florida Statutes, enacted by the Florida Legislature in 1937. The District's purpose is to provide assistance to private landowners, as well as local, state and federal agencies to solve problems related to soil and water resources. The District is governed by a five-seat board of supervisors who are elected in the general elections of Washington County.

Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Orange Hill Soil and Water Conservation District as a whole excluding fiduciary activities. Individual Funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include operating grants and contributions, which finance annual operating activities including restricted investment income. These revenues are subject to externally imposed restrictions to those program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Orange Hill Soil and Water Conservation District
Notes to Financial Statements
September 30, 2010

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Fund Financial Statements

Fund financial statements are provided for the governmental funds. Major individual governmental funds are reported in separate columns in the fund financial statements.

Basis of Accounting

The government-wide statements report 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 as soon enough thereafter to pay current liabilities. Orange Hill Soil and Water Conservation District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liabilities are incurred, as under accrual accounting.

Grants and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when Orange Hill Soil and Water Conservation District receives cash.

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 needed.

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District only uses governmental funds.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

Orange Hill Soil and Water Conservation District
Notes to Financial Statements
September 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The Orange Hill Soil and Water Conservation District reports the following major governmental fund:

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

Cash and Investments

Amounts shown as cash include cash in checking accounts, cash on hand and cash in saving accounts.

Capital Assets and Depreciation

Capital assets generally result from expenditures in the governmental funds. These assets are reported on the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Orange Hill Soil and Water Conservation District maintains a capitalization threshold of \$5,000. Orange Hill Soil and Water Conservation District does not possess an infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. Capital assets are depreciated using the straight-line method. Estimated useful lives, in year, for depreciable assets for the furniture, machinery and equipment is 3-30 years.

Net Assets

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets.

Budget Process

Florida Statutes govern the preparation, adoption, and administration of the budget for the District. Independent Special Districts must file its proposed budget with the County Clerk in which it is located by September 1st each year. However, the district's management has decided not to prepare a budget due to the uncertainty of revenue and expenditure amounts.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Orange Hill Soil and Water Conservation District
Notes to Financial Statements
September 30, 2010

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Risk Management and Insurance

The District purchased insurance to insure itself from casualty, accident and dishonesty. The District believes the level of insurance purchased is adequate to protect against material loss.

NOTE 2 – CASH

Orange Hill Soil & Water Conservation District, in accordance with state and local regulations, deposits its cash funds in approved financial institutions. The financial institutions are required to pledge U.S. Government Securities as collateral for such funds. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The district does not have a deposit policy for custodial credit risk or interest rate risk. The District maintains cash balances at one bank. At September 30, 2010 the carrying amount and bank balance of the district's deposits was \$10,405. The bank balance was covered by federal depository insurance.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ending September 30, 2010 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Equipment	\$ 23,580	\$ -	\$ 5,400	\$ 18,180
Less Accumulated Depreciation:				
Equipment	<u>(9,107)</u>	<u>(3,002)</u>	<u>(5,400)</u>	<u>(6,709)</u>
Total Capital Assets	<u>\$ 14,473</u>	<u>\$ (3,002)</u>	<u>\$ -</u>	<u>\$ 11,471</u>

INDEPENDENT AUDITOR'S REPORT
REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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*

GRIMSLEY, CAVIN & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

DALE L. CAVIN, C.P.A.

DONNA F. ROGERS, C.P.A.

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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

The Board of Supervisors
Orange Hill Soil & Water Conservation District
103 N. Oklahoma Street
Bonifay, Florida 32425

We have audited the financial statements of the governmental activities and the major fund of the Orange Hill Soil & Water Conservation District, as of and for the year ended September 30, 2010, which collectively comprise the Orange Hill Soil & Water Conservation District's basic financial statements and have issued our report thereon dated November 14, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Orange Hill Soil & Water Conservation District's internal control over financial reporting as a basis for designing our auditing procedures 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 Orange Hill Soil & Water Conservation District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Orange Hill Soil & Water Conservation District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all efficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 misstatement 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. We consider the deficiency described in the accompanying schedule of findings as item 07-01 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings as item 03-02 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Orange Hill Soil & Water Conservation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 03-1.

We noted certain matters that we reported to management of the Orange Hill Soil & Water Conservation District in a separate letter dated November 14, 2011.

The Orange Hill Soil & Water Conservation District's response to the findings identified in our audit is described in the Response to Audit Findings section of this report. We did not audit the Orange Hill Soil & Water Conservation District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Grimsley, Cavin & Company

November 14, 2011

Grimsley, Cavin & Company, P.A.
Certified Public Accountants

SCHEDULE OF FINDINGS

Orange Hill Soil & Water Conservation District
Schedule of Findings
September 30, 2010

03-1

Criteria – Custody of assets, record keeping and recording of assets should have adequate separation.

Condition – Due to the size of the organization, proper separation of duties may not be feasible.

Effect – Controls should be implemented to help compensate for the weaknesses.

Cause – This is a small one-person bookkeeping system.

Recommendation – Management should remain very active and involved in the day-to-day operations. It is essential that records be maintained current and up-to-date. Controls should be established to provide checks and balances.

03-2

Criteria – Per Florida Statue Chapter 218.35 the Orange Hill Soil and Water Conservation District is required to prepare a budget and file it with the County Clerk of Courts.

Condition – The Conservation District did not prepare a budget.

Effect – The Conservation District is in violation of Florida Statutes, Chapter 218.35.

Cause – Due to the fact that the District does not know what conservation jobs it will be awarded during the year, they find it difficult to prepare a budget.

Recommendation – The Conservation District should prepare a budget in order to be in compliance with Florida Statue 218.34 and make necessary amendments as the year progresses.

07-1

Criteria – An entity's system of internal control over financial reporting should include controls over the prevention, detection and correction of misstatements in the audited financial statements.

Condition – The District relies on the external auditor to assist with preparing and explaining financial statements in conformity with generally accepted accounting principles.

Effect – Since the auditor cannot be a part of an entity's system of internal accounting control, the District's system of internal accounting control over the financial reporting is not sufficient by itself to prevent, detect or correct misstatements in the audited financial statements.

Orange Hill Soil & Water Conservation District
Schedule of Findings
September 30, 2010

07-1 – Continued

Cause – The District has a small accounting staff necessitated by the overall small size of the entity. They do not consider it cost effective to develop and maintain a system of internal accounting control sufficient by itself to allow the preparation of financial statements in accordance with generally accepted accounting principles, nor to maintain internal staff with sufficient knowledge to develop and maintain controls to prevent, detect or correct misstatements in audited financial statements.

Recommendation – The District should continue to consider the effects of the cost of developing and benefits of implementing such a system as compared with understanding that due to the size of their accounting department, they will continue to need external assistance with the preparation and understanding of financial statements in accordance with generally accepted accounting principles.

INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT
REQUIRED BY THE STATE OF FLORIDA

GRIMSLEY, CAVIN & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

DALE L. CAVIN, C.P.A.

DONNA F. ROGERS, C.P.A.

MEMBERS
FLORIDA INSTITUTE AND
AMERICAN INSTITUTE OF
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INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT REQUIRED BY THE STATE OF FLORIDA

To the Board of Supervisors
Orange Hill Soil and Water Conservation District
103 N. Oklahoma Street
Bonifay, Florida 32425

We have audited the financial statement of the Orange Hill Soil & Water Conservation District, as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated November 14, 2011.

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. We have issued our Independent Auditor's Report on Internal control over Financial Reporting and compliance and Other Matters, and Schedule of Findings. Disclosures in those reports and schedule, which are dated November 14, 2011, 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 reports or schedule:

- 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 annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted below under the heading Prior Year Findings and Recommendations.
- Section 10.554(1)(i) 2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Orange Hill Soil & Water Conservation District, Florida, complied with Section 218.415, Florida Statutes.

- Section 10.554(1)(i) 3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, see the comment under Current Year Findings for our recommendation.
- Section 10.554(1)(i) 4., Rules of the Auditor General, requires that we address violations of provisions of contracts and 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 more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i) 5., Rules of the Auditor General provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal actor, or abuse and (2) Deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i) 7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of any specific condition(s) met. In connection with our audit, we determined that the Orange Hill Soil & Water Conservation District, did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i) 7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Orange Hill Soil & Water Conservation district, for the fiscal year ended September 30, 2010, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Section 10.554(1)(i) 7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Orange Hill Soil & Water Conservation 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 same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Prior Year Findings

None

Current Year Comments and Recommendations

It is recommended that the financial records be maintained in an orderly manner to provide for proper close out. Although the record keeping has improved from prior years, we were still unable to have the financial information in order to issue the audit report within twelve months of year-end. It should be noted that the organization was not required to have an audit per Florida Statutes, however the Joint Legislative Committee requested an audit be performed. It is crucial to the existence of the organization to properly maintain records for audit purposes that will strengthen internal controls.

November 14, 2011

Grimsley, Cavin & Company
Grimsley, Cavin & Company, P.A.
Certified Public Accountants

RESPONSE TO AUDIT FINDINGS



Orange Hill Soil and Water Conservation District
1424 West Jackson Ave., Suite D • Chipley, FL 32428 • Phone and Fax (850) 638-8565
orange_hill@bellsouth.net

November 14, 2011

Grimsley, Cavin & Company, P.A.
P.O. Box 220
Marianna, FL 32447-0220

To Whom It May Concern:

This letter is in response to your comments on our operations.

RE: Schedule of Findings

Item 03-1: The Board will continue to review and approve all aspects of the District's business. The Board will remain involved in all activities of the District.

Item 03-2: The Board will make every effort to prepare a balanced budget and file the budget by September 1, preceding the fiscal year. Also, the board will amend the budget as necessary throughout the year.

Item 07-1: The District considers the cost of maintaining a system of internal control to be prohibitive. The small size of the entity, as well as the minimal number of staff, precludes the establishment of such a system.

RE: Management Letter Items:

Financial Record Maintenance: The District will continue to make every effort to maintain financial records in an orderly manner.

Sincerely,

John Gilbert
Chairman, Orange Hill Soil and Water Conservation District