

# Yellow River Soil & Water Conservation District

## FINANCIAL STATEMENTS

September 30, 2017



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**Yellow River Soil & Water Conservation District**  
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**September 30, 2017**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Supervisors  
Yellow River Soil & Water Conservation District  
Crestview, Florida

We have audited the accompanying financial statements of the governmental activities and the major fund of Yellow River Soil & Water Conservation District (the "District") as of and for the year ended September 30, 2017 and the related notes to basic financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 3 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2019, on our consideration of the District's internal control over financial reporting and 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* in considering the District's internal control over financial reporting and compliance.

*Car, Riggs & Ingram, L.L.C.*

Certified Public Accountants  
Niceville, FL  
December 11, 2019

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

Management's discussion and analysis provides an easily readable analysis of Yellow River Soil & Water Conservation District's (the District) financial activities. The analysis provides summary financial information and should be read in conjunction with the District's financial statements.

The primary purpose of the District is to provide assistance to local, state and federal agencies, and other groups, in solving their soil and water conservation problems. Although it is important to the long-term existence of the District to maintain its financial health, net assets are accumulated only to the extent required to ensure that there are sufficient reserve funds for future operations and for new capital needs.

### **Financial Highlights**

- Total assets increased by \$3,551 and total liabilities increased by \$10,406.
- Net position decreased by \$10,623
- Total revenues increased by 27.05% expenses increased by 43.45%.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) *government-wide financial statements*, 2) *fund financial statements*, and 3) *notes to basic financial statements*. The *government-wide financial statements* present an overall picture of the District's financial position and results of operations. The *fund financial statements* present financial information for the District's major fund. The *notes to basic financial statements* provide additional information concerning the District's finances that are not otherwise disclosed in the government-wide or fund financial statements.

### **Government-wide Financial Statements**

The *government-wide financial statements* include the *statement of net position* and *statement of activities*. These statements are designed to provide readers with a broad overview of the District's financial position, in a manner similar to that of private-sector companies. Emphasis is placed on the net position of governmental activities as well as the change in net position. Governmental activities are the activities where the District's operations are reported. The District does not have any business-type activities.

The *statement of net position* presents information on all assets and liabilities of the District, with the difference between the two reported as *net position*. Increases or decreases in net position over time may serve as a useful indicator of the District's improving or declining financial position.

The *statement of activities* presents information on all revenues and expenditures of the District and the change in net position for the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in the statement of activities for some items that will only result in cash flows in future fiscal periods.

## ***Fund Financial Statements***

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific purposes or objectives. The District's only fund is the general fund.

*Fund financial statements* provide financial information for the District's fund and information about the District's activities. Governmental fund financial statements provide information on the *current* assets and liabilities of the funds, changes in *current* financial resources (revenues and expenditures), and *current* available resources.

*Fund financial statements* for all governmental funds include a *balance sheet* and a *statement of revenues, expenditures, and changes in fund balance*. The District's general fund includes a statement of revenues and expenditures - budget and actual.

The *government-wide financial statements* and the *fund financial statements* provide different presentations of the District's financial position. Categorized by governmental activities, the government-wide financial statements provide an overall picture of the District's financial standing. These statements, which are comparable to private-sector companies, provide a good understanding of the District's overall financial health and present the means used to pay for various activities, or functions provided by the District. All assets and liabilities of the District are reported in the *statement of net position*. The *statement of activities* includes depreciation on all long lived assets of the District. The *fund financial statements* provide a presentation of the District's major fund. In the case of governmental activities, outlays for long lived assets are reported as expenditures. To facilitate a comparison between the *fund financial statements* and the *government-wide financial statements*, a reconciliation is provided.

*Notes to basic financial statements* provide additional detail concerning the financial activities and financial balances of the District. Additional information about the accounting practices of the District, capital assets and long-term liabilities are just a few of the items included in the notes to basic financial statements.

## Financial Analysis of the District

The following schedules provide a summary of the assets, liabilities and net position for the District's governmental activities at and for the years ended September 30, 2017 and 2016.

### NET POSITION

<i>September 30,</i>	<b>2017</b>	(Unaudited) 2016	Change
<b>Assets</b>			
Current and other assets	\$ <b>33,653</b>	29,934	\$ 3,719
Capital assets, net	<b>80</b>	248	(168)
<b>Total assets</b>	<b>33,733</b>	30,182	3,551
<b>Liabilities</b>			
Current liabilities	<b>31,830</b>	21,424	10,406
<b>Total liabilities</b>	<b>31,830</b>	21,424	10,406
<b>Net Position</b>			
Net investment in capital assets	<b>80</b>	248	(168)
Restricted	-	-	-
Unrestricted net position	<b>1,823</b>	8,510	(6,687)
<b>Total net position</b>	<b>\$ 1,903</b>	\$ 8,758	\$ (6,855)

Net investment in capital assets of \$80 represents the net book value of equipment that is rented to farmers for soil conservation purposes. The remaining balance of *unrestricted net position* is \$1,823.

### CHANGES IN NET POSITION

<i>Years ended September 30,</i>	<b>2017</b>	(Unaudited) 2016	Change
<b>General revenues</b>			
Intergovernmental	\$ <b>74,965</b>	70,768	\$ 4,197
Grants	<b>5,600</b>	600	5,000
Interest income	<b>2</b>	2	-
Contributed office space	<b>13,696</b>	-	13,696
Miscellaneous	<b>350</b>	3,098	(2,748)
<b>Total general revenues</b>	<b>94,613</b>	74,468	20,145
<b>Expenses</b>	<b>101,468</b>	70,734	30,734
Increase (decrease) in net position	<b>(6,855)</b>	3,734	(10,589)
Net position, beginning	<b>8,758</b>	5,024	3,734
<b>Net position, ending</b>	<b>\$ 1,903</b>	\$ 8,758	\$ (6,855)

The decrease in net position was due to operating expenses and depreciation in excess of revenues.



## GOVERNMENTAL FUNDS AND BUDGETARY HIGHLIGHTS

The main operating fund of the District is the general fund. As of September 30, 2017, total assets were \$33,733 and there was \$31,830 in current liabilities; the unassigned fund balance was \$1,903.

The formal budget for The District only recognizes revenues as those that come from Okaloosa County directly and does not consider revenues from Choctawhatchee River Soil and Water Conservation District; therefore leading to a favorable difference in budget and actual for revenue.

Additionally, the District had an unfavorable increase in expenditures compared to budget due to higher than budgeted operating expenses, payroll expenses, and unbudgeted grant expenditures.

Overall, the general fund had a favorable variance compared to budget in the amount of \$1,480.

### Capital Assets Activity

The following schedule provides a summary of the District's capital assets activity. The District's total investment in capital assets activities as of September 30, 2017 was \$80 (net of accumulated depreciation).

#### Capital Assets (net of depreciation) Governmental Activities

<i>September 30,</i>		(Unaudited)	
	2017	2016	Change
Furniture and fixtures	\$ 30,704	\$ 30,704	\$ -
Vehicles and equipment	41,020	41,020	-
Total, prior to depreciation	71,724	71,724	-
Accumulated depreciation	71,644	71,476	168
Capital assets, net	\$ 80	\$ 248	\$ 168

Additional information about the District's capital assets is presented in note 3 to the financial statements.

### FUTURE FINANCIAL FACTORS

Annual funding, in the approximate amount of \$45,000, is provided by Okaloosa County, Florida. Additional funds also are received from grants, payroll services, and equipment rental.

## **BOARD OF SUPERVISORS**

Gary Booker  
Chairman

David Clark  
Vice-chairman

Linda Johnson  
Member

Andy Barber  
Secretary

Melody Thompson  
Treasurer

## **MANAGEMENT**

Susan Holley  
Administrative Assistant

## **CONTACT INFORMATION**

Yellow River Soil & Water Conservation District  
3070 Adora Teal Way – Suite A  
Crestview, Florida 32539

## **BASIC FINANCIAL STATEMENTS**

**Yellow River Soil & Water Conservation District**  
**Statement of Net Position and Governmental Fund Balance Sheet**

*September 30, 2017*

	General Fund	Adjustments (Note 2)	Statement of Net Position
<b>Assets</b>			
Cash and cash equivalents	\$ 27,306	\$ -	\$ 27,306
Accounts receivable, net	6,347	-	6,347
Capital assets being depreciated, net	-	80	80
<b>Total assets</b>	<b>\$ 33,653</b>	<b>\$ 80</b>	<b>\$ 33,733</b>
<b>Liabilities</b>			
Accounts payable	\$ 3,838	\$ -	\$ 3,838
Payroll taxes payable	26,739	-	26,739
Accrued payroll	1,253	-	1,253
<b>Total liabilities</b>	<b>31,830</b>	<b>-</b>	<b>31,830</b>
<b>Fund balance/net position</b>			
Unassigned	1,823	(1,823)	-
<b>Total fund balance</b>	<b>1,823</b>	<b>(1,823)</b>	<b>-</b>
<b>Total liabilities and fund balance</b>	<b>\$ 33,653</b>		
<b>Net position</b>			
Net investment in capital assets		80	80
Unrestricted net position		1,823	1,823
<b>Total net position</b>		<b>\$ 1,903</b>	<b>\$ 1,903</b>

*The accompanying notes are an integral part of these financial statements.*

**Yellow River Soil & Water Conservation District  
Statement of Activities and Governmental Fund Revenues,  
Expenditures and Changes in Net Position/Fund Balance**

*For the Year ended September 30, 2017*

	General Fund	Adjustments (Note 2)	Statement of Activities
<b>Revenues</b>			
Intergovernmental	\$ 74,965	\$ -	\$ 74,965
Grants	5,600	-	5,600
Miscellaneous	350	-	350
Contributed office space	13,696	-	13,696
Interest	2	-	2
<b>Total revenues</b>	<b>94,613</b>	<b>-</b>	<b>94,613</b>
<b>Expenditures</b>			
Operating services	23,064	-	23,064
Depreciation	-	168	168
Grant expenditures	3,838	-	3,838
Payroll expenditures	74,398	-	74,398
<b>Total expenditures</b>	<b>101,300</b>	<b>168</b>	<b>101,468</b>
<b>Deficit of revenues under expenditures /change in net position</b>	<b>(6,687)</b>	<b>(168)</b>	<b>(6,855)</b>
Fund balance/net position, beginning of year	8,510	248	8,758
<b>Fund balance/net position, end of year</b>	<b>\$ 1,823</b>	<b>\$ 80</b>	<b>\$ 1,903</b>

*The accompanying notes are an integral part of these financial statements.*

**Yellow River Soil & Water Conservation District  
Statement of Revenues and Expenditures – Budget and Actual**

*For the Year ended September 30, 2017*

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues</b>				
Intergovernmental	\$ 45,215	\$ 45,215	\$ 74,965	\$ 29,750
Grants	-	-	5,600	5,600
Miscellaneous	-	-	350	350
Contributed office space	-	-	13,696	13,696
Interest	-	-	2	2
Total revenues	45,215	45,215	94,613	49,398
<b>Expenditures</b>				
Operating	8,650	8,650	23,064	(14,414)
Payroll	48,000	48,000	74,398	(26,398)
Grant expenditures	500	500	3,838	(3,338)
Total expenditures	57,150	57,150	101,300	(44,150)
Excess of revenues over / (under) expenditures	\$ (11,935)	\$ (11,935)	\$ (6,687)	\$ 5,248

*The accompanying notes are an integral part of these financial statements.*

## Yellow River Soil & Water Conservation District Notes to Basic Financial Statements

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ***Nature of operations***

The Yellow River Soil & Water Conservation District (the District) was organized on October 11, 1941 in accordance with the provisions of the Florida Soil Conservation District Act of 1937, Chapter 18144 as amended by the act of 1953, Chapter 28094. This law and amendment provides the basis for an organized approach by landowners and operators in solving their soil and water conservation problems. Duties, responsibilities, and authorities are provided in 1993 Chapter 582 F.S., Soil and Water Conservation.

The District has established a Memorandum of Understanding with the Natural Resources Conservation Service of the United States Department of Agriculture, Association of Florida Conservation Districts, and the State of Florida. The District requests aid and assistance from other established governmental agencies, federal, state, and local to achieve the provisions of this program in accordance with State Conservation Acts, its amendments, and existing local laws.

#### ***Financial reporting entity***

Criteria for determining if other entities are potential component units which should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the District is financially accountable and other organizations for which the nature and significance of their relationships with the District are such that exclusion would cause the District's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are reported.

#### ***Basis of presentation***

The accounting policies of the District conform to U.S. Generally Accepted Accounting Principles (GAAP) as applicable to governments in accordance with those promulgated by the GASB.

Governmental funds are used to account for the District's general government activities. The District has one fund, the general fund, which is its operating fund and is included in the preparation of the government-wide financial statements and its fund financial statements.

#### ***Use of estimates***

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

## Yellow River Soil & Water Conservation District Notes to Basic Financial Statements

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### ***Measurement Focus and Basis of Accounting***

The basic financial statements of the District are composed of government-wide financial statements, fund financial statements, and notes to basic financial statements

#### ***Government-wide Financial Statements***

Government-wide financial statements display information about the District as a whole.

Government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows.

Revenues from grants are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures.

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 – committed, assigned, and unassigned – in order as needed.

#### ***Fund Financial Statements***

Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Current financial resources measurement focus generally means that only current assets and current liabilities are included in the balance sheet. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenue available if they are collected within 60 days after year end.

Expenditure reimbursement grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

All other revenue items are considered to be measurable and available only when cash is received by the District.



## Yellow River Soil & Water Conservation District Notes to Basic Financial Statements

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### ***Cash, deposits and investments***

All cash resources of the District are placed in banks that are qualified public depositories, as required by law (Florida Security for Public Deposits Act). Every qualified public depository is required by this law to deposit with the State Treasurer eligible collateral equal to, or in excess of, an amount to be determined by the State Treasurer. The State Treasurer is required by this law to ensure that the District's funds are entirely collateralized throughout the fiscal year. In the event of failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis. The cash balance held in deposit at qualified public depositories was \$24,831 at September 30, 2017. The District's cash and cash equivalents include demand deposits and all highly liquid investments (including restricted assets) with an original maturity of three months or less.

#### ***Capital assets***

Capital assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial/individual cost of more than \$500. Such assets are recorded at historical cost if purchased or constructed or estimated historical cost if actual cost is unknown. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. The District's equipment is depreciated using the straight line method over the estimated useful lives, which is generally five years.

#### ***Fund balance***

The District has implemented GASB Statement 54 employing the following terminology and classifications for fund balance.

**Nonspendable** – This category includes the resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The District had no nonspendable funds as of September 30, 2017.

**Restricted** – This category includes resources restricted by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. The District had no restricted funds as of September 30, 2017.

**Committed** – This category includes resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority which is the Board of Supervisors. There are no committed funds as of September 30, 2017.



## Yellow River Soil & Water Conservation District Notes to Basic Financial Statements

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### ***Fund balance (continued)***

Assigned – This category includes resources that are intended to be used for specific purposes, but is neither restricted nor committed. These are resources that have been set aside for a specific purpose by an authorized government body or official. There are no assigned funds as of September 30, 2017.

Unassigned – This category is the residual classification for the District's fund balance. The excess as of September 30, 2017 was \$1,823.

#### ***Net position***

Net position is classified in three categories. The general meaning of each is as follows:

Net investment in capital assets - represents the difference between the cost of capital assets, less accumulated depreciation reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

Restricted - indicates that portion of net position that is restricted for the purchase of assets necessary due to new growth in the District.

Unrestricted - indicates that portion of net position that is available for future periods. The excess as of September 30, 2017 was \$1,823.

#### ***Budgets***

The District budgeted revenues based on funding that would be received from Okaloosa County, and also budgeted for expenditures based on prior years.

#### ***Subsequent events***

Management has evaluated subsequent events through December 11, 2019, which is the date the financial statements were available to be issued.

## Yellow River Soil & Water Conservation District Notes to Basic Financial Statements

### NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The total fund balance of the District’s governmental general fund differs from the net position of governmental activities reported in the statement of net position and governmental funds balance sheet by the amount of net investment in capital assets, due to the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet. When capital assets that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds; however, the statement of net position includes those capital assets of the District as a whole. The amount reported in the statement of position as invested in capital assets is detailed in note 3.

The difference between the governmental funds statement of revenues, expenditures and change in fund balance and the government-wide statement of activities is due to depreciation. Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense of \$168 for the fiscal year is not considered a current financial resource and is not expenditure in the general fund.

### NOTE 3 – CHANGES IN CAPITAL ASSETS

The following is a summary of changes in the capital assets for the year ended September 30, 2017:

	October 1, 2016	Additions	Deletions	September 30, 2017
<b>Governmental Activities</b>				
Capital assets being depreciated				
Furniture and fixtures	\$ 30,704	\$ -	\$ -	\$ 30,704
Vehicles and equipment	41,020	-	-	41,020
Total capital assets being depreciated	71,724	-	-	71,724
Less accumulated depreciation	(71,476)	(168)	-	(71,644)
Total capital assets being depreciated, net	\$ 248	\$ (168)	\$ -	\$ 80

Depreciation expense for fiscal year ended September 30, 2017, totaled \$168.

### NOTE 4 – CONTRIBUTED OFFICE SPACE

The District currently operates out of a building which includes several other governmental offices. The District is not charged for rental or utilities for their use of the building. The estimated amount of this contributed office space is \$13,696.



## Yellow River Soil & Water Conservation District Notes to Basic Financial Statements

### **NOTE 5 – BUDGET VARIANCES**

For the year ended September 30, 2017, the District exceeded budgeted expenditures by \$44,150 and budgeted revenues by \$45,630. The favorable revenue and unfavorable expenditure variances occurred as the result of the GAAP recognition of expenditures and related reimbursements that are not included in the District's budget.

**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***

To the Board of Supervisors  
Yellow River Soil & Water Conservation District  
Crestview, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Yellow River Soil & Water Conservation District (the "District") as of and for the year ended September 30, 2017, and the related notes to financial statements, which collectively comprise District's basic financial statements and have issued our report thereon dated December 11, 2019.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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, 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. We consider the deficiencies identified as 2017-001, 2017-003, 2017-004, 2017-007, 2017-008, and 2017-010 to be material weaknesses.

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 deficiencies identified as 2017-002, 2017-005, and 2017-006 to be significant deficiencies

### **2017-001 - Cash Disbursements**

Condition: Controls over cash disbursements are not functioning.

Cause: Batches of checks are being signed prior to preparation.

Criteria: After a check is prepared, it should be signed by two authorized individuals.

Effect: An unauthorized cash disbursement could go undetected.

Recommendation: Evaluate the design and implementation of the control to ensure it sufficiently achieves the control objective.

Views of responsible officials and planned corrective action: This has been/is a common practice for the District for over 40 years. The process was implemented because: Our board is not a paid board and they do not work in the office on a regular schedule. All of our board members have fulltime jobs or live more than 10 miles from the office. The Administrative Assistant makes copies of all checks written before they are mailed and attaches a copy to the invoice. Board members are supplied with financial statements consisting of: Invoices with documentation, Bank statement that contains photos of each check cashed for that month, Bank Statement Reconciliation Detail, Check Register, and Profit & Loss Statement for each month.

### **2017-002 - Payroll Advances**

Condition: Payroll advances are not approved by the Board prior to disbursement.

Cause: No control or process designed and implemented to authorize payroll advances.

Criteria: Payroll advances should be approved by an authorized individual prior to being disbursed.

Effect: An unauthorized cash disbursement could go undetected.

Recommendation: Design and implement a control to review and approve payroll advances prior to disbursement.

Views of responsible officials and planned corrective action: The District has always had a verbal policy for Payroll Advances. The District will implement and maintain a written policy to be put into the minutes of their next board meeting.

### **2017-003 - Rental Revenues**

Condition: Two pieces of equipment were in the possession of individuals without a rental agreement in effect.

Cause: Unknown.

Criteria: Equipment should only be used pursuant to rental agreements in effect.

Effect: Potential misappropriation of the District's assets.

Recommendation: Design and implement a control to ensure equipment is use is pursuant to a rental agreement.

Views of responsible officials and planned corrective action: As of this date (11/07/19) the District only owns (1) piece of equipment now and that is a Hayblower and it is in the possession of Yellow River SWCD. The second piece of equipment was a Cultipacker and it has been sold. It is Yellow River SWCD's plan to sell the last remaining piece of equipment this fiscal year (2019/2020) and be out of the rental equipment business

#### **2017-004 (prior year 14-01) - Adjustments to Balances and Transactions**

Condition: Significant adjustments to the general ledger were necessary in order to adjust balances and transactions to conform to generally accepted accounting principles (GAAP).

Cause: For operating purposes, transactions and balances are recorded using a current economic resource focus rather than the accrual basis of accounting.

Criteria: Balances and transactions should be recorded in accordance with GAAP.

Effect: Balances and transactions could be materially misstated.

Recommendation: We recommend striving to create controls that will ensure the completeness and accuracy of account balance and reduce audit adjustments to balances and transactions to the extent possible.

Views of responsible officials and planned corrective action: The District will strive to improve its knowledge of accounting and required financial reporting. The District has implemented a weekly/monthly accounting checklist.

#### **2017-005 - Segregation of Duties**

Condition: Certain accounting and administrative duties were not segregated sufficiently to achieve an adequate internal control structure.

Cause: Limited staff available.

Criteria: Accounting duties should be adequately segregated.

Effect: Errors or fraud could occur without being detected and corrected in a timely manner.

Recommendation: While the costs associated with achieving proper segregation of duties may outweigh the benefits, the District should strive to separate custody, authorization, and recordkeeping duties to the extent possible.

Views of responsible officials and planned corrective action: The District's funding does not allow for more than one fulltime employee for administrative duties. The District has had the same Administrative Assistant for 17 years and feels comfortable with her performing ALL administrative duties.

### **2017-006 - Bank Reconciliations**

Condition: Bank reconciliations are not being timely and appropriately performed.

Cause: Bank reconciliations are performed on an as-needed basis rather than at regular intervals.

Criteria: Closing bank balances should be accurately and timely reconciled to the general ledger.

Effect: Failure to perform accurate and timely bank reconciliations could result in a material misstatement due to error or fraud.

Recommendation: The District should implement controls to ensure accurate and timely bank reconciliations are performed.

Views of responsible officials and planned corrective action: The District's Administrative Assistant has implemented a checklist of all accounting that needs to be done weekly and monthly and ensures that Bank Reconciliations will be done monthly.

### **2017-007 - Board Meetings**

Condition: Board meetings are not regularly held.

Cause: There were no Board meetings held from July 2016 through February 2017.

Criteria: Board meetings should be regularly scheduled and occur at intervals to provide adequate governance.

Effect: Lack of board oversight of operations and financial reporting could lead to a material misstatements of balances and transactions due to error or fraud.

Recommendation: Hold and document the minutes for meetings at intervals necessary to provide adequate governance.

Views of responsible officials and planned corrective action: The District Board Meetings are scheduled monthly, but if there is no business or the board does not have a quorum attending then the board meeting is cancelled. However if the board needs to discuss a business item in between the board meeting dates then a phone poll is taken and documented.

### **2017-008 - Payroll Taxes Remittances**

Condition: Payroll taxes are not being timely remitted.

Cause: As of September 30, 2017, payroll taxes totaling \$26,739 were delinquent.

Criteria: Payroll taxes should be timely remitted.

Effect: The District could incur penalties that may affect operations.

Recommendation: We recommend a control be designed and implemented to ensure payroll taxes are remitted accurately and completely in a timely manner.



Views of responsible officials and planned corrective action: The District fell behind in payroll taxes due to the county (districts funding) implementing new rules to paying invoices therefore the District not receiving new payments for several months. The District's Administrative Assistant has now for two years been scheduling payroll taxes in advance to be electronically transferred to IRS. The District has been on time every month for Fiscal Year 2017/2018 and 2018/2019 and has made this a permanent method of paying payroll taxes.

**2017-009 (prior year 14-06) - Annual Financial Report**

Condition: The District is not in compliance with the requirement to file an Annual Financial Report with the State of Florida.

Cause: The Annual Financial Report for the fiscal year ended September 30, 2017 AFR is delinquent.

Criteria: Annual Financial reports are due no later than nine months after fiscal year-end.

Effect: Failure to file could subject the District to penalties or hardships.

Recommendation: We recommend designing and implementing a control to ensure that the Annual Financial Report is filed in accordance with Chapter 218, Florida Statutes, which requires that Local Governments submit their Annual Financial Report within 9 months of the financial period close.

Views of responsible officials and planned corrective action: The District will work towards filing of the audited financial statements and the annual financial report within the prescribed deadlines of the Florida Auditor General and the Florida Department of Economic Opportunity.

**2017-010 - Cash Receipts**

Condition: Insufficient controls over the occurrence, accuracy and completeness of cash receipts recorded to the general ledger

Cause: Controls over cash receipts do not appear to be designed or implemented.

Criteria: Cash receipts should have sufficient controls to prevent misstatements due to error or fraud.

Effect: Cash balances and revenue transactions could be misstated.

Recommendation: We recommend controls be designed and implemented to separate custody, authorization, and record keeping of cash receipts in order to prevent misstatements due to error or fraud.

Views of responsible officials and planned corrective action: The District will purchase a Cash Receipt Book for cash transactions made to the District. This will allow the District to provide a receipt to our clients and a carbon copy for our records. The District will implement a procedure of identifying deposits as cash or check in our accounting software.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Yellow River Soil & Water Conservation 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 two instances of noncompliance, finding 2017-08 and 2017-09, or other matters that are required to be reported under *Government Auditing Standards*.

## **District's Response to Findings**

The District's responses to the findings identified in our audit are included above. We did not audit the District's responses and, accordingly, we express no opinion on them.

## **Purpose of this Report**

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

*Car, Riggs & Ingram, L.L.C.*

Certified Public Accountants  
Niceville, Florida  
December 11, 2019

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH SECTION 218.415,  
FLORIDA STATUTES, LOCAL GOVERNMENT INVESTMENT POLICIES.**

To the Board of Commissioners  
Yellow River Soil & Water Conservation District  
Crestview, Florida

We have examined Yellow River Soil & Water Conservation District's (the "District") compliance with the requirements of Section 218.415, Florida Statutes, Local Government Investment Policies, during the year ended September 30, 2017.

Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

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

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

Certified Public Accountants  
Niceville, Florida  
December 11, 2019

## INDEPENDENT AUDITOR'S MANAGEMENT LETTER

To the Board of Supervisors  
Yellow River Soil & Water Conservation District  
Crestview, Florida

We have audited the financial statements of Yellow River Soil & Water Conservation District (the "District") as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated December 11, 2019.

### ***Auditor's Responsibility***

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.

### ***Other Reports and Schedule***

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* 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 December 11, 2019, 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 annual financial audit report. Findings 2017-004 and 2017-009 were reported in audit of the financial statements for the year ended September 30, 2014 as findings 14-06 and 14-01.

### ***Official Title and Legal Authority***

Section 10.554(1)(i)4., Rules of the Auditor General, requires 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. The information required is disclosed in the notes to basic financial statements

### ***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 of 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 the review of financial information provided by same.

Section 10.554(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 other than those disclosed and reported within the 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.

### ***Special District Component Units***

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

### ***Additional Matters***

Section 10.554(1)(i)3., Rules of the Auditor General, requires 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 have any such findings.

### ***Purpose of this Letter***

Our management letter is intended solely for the information and use of the Joint Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Commissioners and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

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

Certified Public Accountants

Niceville, Florida

December 11, 2019