

HOLMES CREEK SOIL & WATER CONSERVATION DISTRICT
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

Holmes Creek Soil & Water Conservation District
Board of Supervisors

Seat 1: Carlton Treadwell
Seat 2: Terry Watkins
Seat 3: Judy Powell
Seat 4: Joe Franklin
Seat 5: Jerry Wright

TABLE OF CONTENTS

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	6
STATEMENT OF ACTIVITIES	7
BALANCE SHEET - GOVERNMENTAL FUNDS	8
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION	9
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS	10
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	11
NOTES TO THE FINANCIAL STATEMENTS	12
INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES, <i>LOCAL GOVERNMENT INVESTMENT POLICIES</i>	17
INDEPENDENT AUDITOR'S REPORT REQUIRED BY <i>GOVERNMENTAL AUDITING STANDARDS</i>	
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 <i>GOVERNMENT AUDITING STANDARDS</i>	18
SCHEDULE OF FINDINGS	20
INDEPENDENT AUDITORS REPORT TO MANAGEMENT REQUIRED BY THE STATE OF FLORIDA	22
RESPONSE TO AUDIT FINDINGS	25

INDEPENDENT AUDITOR'S REPORT

GRIMSLEY, CAVIN & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

DALE L. CAVIN, C.P.A.

MEMBERS
FLORIDA INSTITUTE AND
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Holmes Creek Soil and Water Conservation District
Bonifay, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the Holmes Creek Soil and Water Conservation District as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Holmes Creek Soil and Water Conservation 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.

Auditor's Responsibility

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 audits 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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 Holmes Creek Soil and Water Conservation District, as of September 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-5 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.

Management has omitted the budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 statement in an appropriate operation, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2019, on our consideration of the Holmes Creek 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Holmes Creek Soil and Water Conservation District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Holmes Creek Soil and Water Conservation District's internal control over financial reporting and compliance.

Marianna, Florida
May 2, 2019

Grimsley, Cavin & Company

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

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS 2017-2018

Holmes Creek Soil and Water Conservation District's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the financial activity, (c) identify changes in the financial position (its ability to address the next and subsequent year challenges), and (d) identify individual fund issues of concern.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on current year's activities, resulting changes and currently known facts, please read it in conjunction with the financial statement beginning on page 6.

Financial Highlights

The assets of Holmes Creek Soil and Water Conservation District exceeded its liabilities at September 30, 2018 by \$103,463. This amount may be used to meet the ongoing obligations of the District.

The total net position decreased by \$(1,302) during the year ended September 30, 2018.

Using this Annual Report

The financial statement's focus is on the District as a whole (government-wide) and on the major individual funds. This perspective allows the user to address relevant questions, broaden a basis for comparison (year to year) and enhance the District's accountability.

This discussion and analysis is intended to serve as an introduction to the basic financial statements, which are comprised of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The focus is on major funds, rather than fund types. The statement combines and consolidates governmental fund current resources with capital assets. The statements include a Statement of Net Position and a Statement of Activities that are designed to provide consolidated financial information about the governmental activities of the District presented on the accrual basis of accounting.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, the increases or decreases in net position may serve as a useful indication of the financial position as to whether the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the 2018 fiscal year. The focus is on both the gross and net costs of various governmental activities that are supported by the District's revenues. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods. This statement is intended to summarize and simplify the user's analysis of the cost of various services. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating.

Both of the financial statements distinguish the functions of the District that are principally supported by intergovernmental revenues (governmental activities). The governmental activities included general government and human services.

The government-wide financial statements can be found on pages 6-7 of the report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over the resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, readers may better understand the long-term impact of the District's near-term financing decisions.

The District maintains one governmental fund and information on this fund is presented in the government fund balance sheet and in the governmental fund statement of Revenues, expenditures and changes in Fund Balances.

The basic governmental fund financial statements can be found of pages 8-11 of the report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This section is used to present condensed financial information from the government-wide statements that compare the current year to the prior year.

Statement of Net Assets

The following schedule reflects the condensed Statement of Net Position:

	Statement of Net Position			
	September 30, 2018			
	2017	Governmental Activities	2018	
Assets				
Cash	\$ 116,009		\$ 206,901	
Accounts Receivable	127,417		18,636	
Equipment, Net of Depreciation	1,370		761	
	<u>244,796</u>		<u>226,298</u>	
Liabilities and Deferred Inflows of Resources				
Accounts Payable	16,433		16,648	
Unavailable Revenue	123,598		106,187	
Total Liabilities and Deferred Inflows of Resources	<u>140,031</u>		<u>122,835</u>	
NET POSITION				
Invested in Capital Assets, Net of Related Debt	1,370		761	
Unrestricted	103,395		102,702	
Total Net Position	<u>\$ 104,765</u>		<u>\$ 103,463</u>	

The following schedule compares the revenues and expenses for the current year.

**Statement of Activities
For the Fiscal Year Ended September 30, 2018**

	Governmental Activities	
	2017	2018
REVENUES		
Program Revenues		
Charges for Services	\$ 2,689	\$ 1,585
Operating Grants & Contributions	457,242	403,805
Total Program Revenues	459,931	405,390
General Revenues		
Miscellaneous	-	96
Total General Revenues	-	96
Total Revenues	459,931	405,486
EXPENSES		
Governmental Activities		
General Government	450,805	406,788
Total Expenses	450,805	406,788
Change in Net Position	9,126	(1,302)
Net Position-Beginning	95,639	104,765
Net Positon - Ending	\$ 104,765	\$ 103,463

Governmental Funds

The focus of the District's governmental fund is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2018, the District's governmental fund reported a fund balance of \$102,702, all unassigned.

Capital Assets

Detailed information about the District's capital assets can be obtained in the financial statements.

Request for Information

The District's financial statements are designed to present users with a general overview of the District's finances and to demonstrate accountability.

If you have any questions about this report or need additional financial information, you may contact the Holmes Creek Soil and Water Conservation District at 103 North Oklahoma Street, Bonifay, Florida, 32425.

FINANCIAL STATEMENTS

Holmes Creek Soil & Water Conservation District
Statement of Net Position
September 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 206,901
Accounts Receivable	18,636
Capital Assets:	
Equipment, Net of Depreciation	<u>761</u>
Total Assets	<u>226,298</u>
LIABILITIES	
Accounts Payable	<u>16,648</u>
Total Liabilities	<u>16,648</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue	<u>106,187</u>
Total Deferred Inflows of Resources	<u>106,187</u>
NET POSITION	
Invested in Capital Assets, Net of Related Debt	761
Unrestricted	<u>102,702</u>
Total Net Position	<u>\$ 103,463</u>

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

Holmes Creek Soil & Water Conservation District
Statement of Activities
For the Year Ended September 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense) Revenue and Changes in Net Position
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
General Government	\$ 406,788	\$ 1,585	\$ 403,805	\$ (1,398)
Total governmental activities	<u>\$ 406,788</u>	<u>\$ 1,585</u>	<u>\$ 403,805</u>	<u>(1,398)</u>
General Revenues:				
Miscellaneous				96
Total General Revenues				<u>96</u>
Changes in Net Position				(1,302)
Net Position - beginning				<u>104,765</u>
Net Position - ending				<u>\$ 103,463</u>

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

Holmes Creek Soil & Water Conservation District
 Balance Sheet
 Governmental Funds
 September 30, 2018

	<u>General Fund</u>
ASSETS	
Cash	\$ 206,901
Accounts Receivable	<u>18,636</u>
Total Assets	<u><u>\$ 225,537</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ <u>16,648</u>
Total Liabilities	<u>16,648</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources	
Unavailable Revenue	<u>106,187</u>
Total Deferred Inflows of Resources	<u>106,187</u>
FUND BALANCE	
Unassigned	<u>102,702</u>
Total Fund Balances	<u>102,702</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u><u>\$ 225,537</u></u>

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

Holmes Creek Soil & Water Conservation District
Reconciliation of the Balance Sheet
To the Statement of Net Position
For the Year Ended September 30, 2018

Total Fund Balances - Total Governmental Funds \$ 102,702

Amounts reported for governmental activities
in the Statement of Net Position are different
because:

Capital assets used in governmental activities
are not financial resources and therefore, are
not reported in the funds.

761

Total net position

\$ 103,463

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

Holmes Creek Soil & Water Conservation District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2018

	<u>General Fund</u>
REVENUES	
Intergovernmental Revenues	\$ 403,805
Charges for Services	1,585
Miscellaneous	<u>96</u>
Total Revenues	<u>405,486</u>
 EXPENDITURES	
Current:	
General Government	<u>406,179</u>
Total Expenditures	<u>406,179</u>
 Excess (deficiency) of revenue over expenditures	 <u>(693)</u>
 Net Change in Fund Balances	 (693)
Fund Balances - beginning	<u>103,395</u>
Fund Balances - ending	<u><u>\$ 102,702</u></u>

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

Holmes Creek 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, 2018

Net Change in fund balances - total government funds \$ (693)

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 \$609 exceeded capital outlay \$0
in the current period.

(609)

Changes in net position of governmental activities

\$ (1,302)

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

NOTES TO FINANCIAL STATEMENTS

Holmes Creek Soil and Water Conservation District
Notes to Financial Statements
September 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Introduction

The basic financial statements of the Holmes Creek 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, 2018.

Reporting Entity

The District was established April 25, 1958 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 Holmes County.

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the 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 District has no business-type activities.

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. 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.

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.

Holmes Creek Soil and Water Conservation District
Notes to Financial Statements
September 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of Accounting

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). 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. The 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 the District receives cash.

The District reports unavailable revenue on its financial statements. Unavailable revenue arises when a potential revenue does not meet both the measurable and available or earned criteria for recognition in the current period. Unearned revenue arise when resources are received before the District has legal claim to them, as when grant monies are received prior to the incurrence of qualifying 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 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.

Holmes Creek Soil and Water Conservation District
Notes to Financial Statements
September 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The 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 position 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. The District maintains a capitalization threshold of \$5,000. The 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 Position

Net position present the difference between assets and liabilities in the statement of net position. Net position 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 adopt a budget by resolution each fiscal year. The District did not adopt a budget for the fiscal year ended September 30, 2018.

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.

Holmes Creek Soil and Water Conservation District
Notes to Financial Statements
September 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Risk Management and Insurance

The District did not purchase insurance to insure itself from casualty, accident and dishonesty. The District did not deem insurance was necessary for the fiscal year ended September 30, 2018.

Deferred Inflows of Resources

Deferred inflows of resources represent acquisition of resources that applies to future reporting periods and will not be recognized as an inflow of resource (revenue) until then. The District has unavailable revenue which arises under a modified accrual basis of accounting that qualified for reporting in this category. Unavailable revenue is reported in the governmental funds balance sheet and arises for grant revenue that has been received prior to the incurrence of qualifying expenditures. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Equity

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or be enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts the government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

At September 30, 2018, the District had no nonspendable, restricted, committed, or assigned fund balances. The District does not have a formal policy for minimum fund balances. The District uses the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned.

Holmes Creek Soil and Water Conservation District
Notes to Financial Statements
September 30, 2018

NOTE 2 – CASH

The 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 has not formally adopted deposit and investment policies that limit the District's allowable deposits or investment and address the specific types of risk to which the District might be exposed. The District maintains cash balances at one bank in Bonifay, Florida. At September 30, 2018 the carrying amount and bank balance of the district's deposits was \$206,901. The bank balance was covered by federal depository insurance.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ending September 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Equipment	\$ 6,089	\$ -	\$ -	\$ 6,089
Less Accumulated Depreciation:				
Equipment	(4,719)	(609)	-	(5,328)
Total Capital Assets	<u>\$ 1,370</u>	<u>\$ (609)</u>	<u>\$ -</u>	<u>\$ 761</u>

NOTE 4 – GRANTS AND AGREEMENTS

The District has the following agreements with the Florida Department of Agriculture and Consumer Services.

<u>Agreement #</u>	<u>CSFA #</u>	<u>Revenue</u>
24394	47.017	\$ 322,272
24320	47.017	81,533
		<u>\$ 403,805</u>

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

GRIMSLEY, CAVIN & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.
DALE L. CAVIN, C.P.A.

MEMBERS
FLORIDA INSTITUTE AND
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT

To the Board of Directors
Holmes Creek Soil and Water Conservation District
Bonifay, Florida

We have examined the compliance of the Holmes Creek Soil and Water Conservation District with Section 218.415, Florida Statutes for the year ended September 30, 2018. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied with Section 218.415, Florida Statutes in all material respects. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

In our opinion, the Holmes Creek Soil and Water Conservation District complied, in all material respects, with the requirements of Section 218.415, Florida Statutes for the year ended September 30, 2018.

Grimsley, Cavin & Company

May 2, 2019
Marianna, Florida

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

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

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

GRIMSLEY, CAVIN & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.
DALE L. CAVIN, C.P.A.

MEMBERS
FLORIDA INSTITUTE AND
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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 Directors
Holmes Creek Soil and Water Conservation District
Bonifay, 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 major fund of Holmes Creek Soil and Water Conservation District, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise Holmes Creek Soil and Water Conservation District's basic financial statements and have issued our report thereon dated May 2, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Holmes Creek Soil and Water Conservation 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 Holmes Creek Soil and Water Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Holmes Creek Soil and Water Conservation 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 have not been identified. However, as described in the accompanying schedule of findings, 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 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 described in the accompanying schedule of findings as items 2007-001 and 2018-001 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 deficiency described in the accompanying schedule of findings as item 2003-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Holmes Creek Soil and 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as item 2016-001.

Holmes Creek Soil and Water Conservation District's Response to Findings

Holmes Creek Soil and Water Conservation District's response to the findings identified in the section of the audit titled Response to Audit Findings. Holmes Creek Soil and Water Conservation District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Marianna, Florida
May 2, 2019

Grimsley, Cavin & Company

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

SCHEDULE OF FINDINGS

Holmes Creek Soil & Water Conservation District
Schedule of Findings
September 30, 2018

2003-002

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.

2007-001

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.

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.

Holmes Creek Soil & Water Conservation District
Schedule of Findings
September 30, 2018

2016-001

Criteria – Per Florida Statute Chapter 189.016 the Holmes Creek Soil and Water Conservation District is required to adopt a balanced budget by resolution and post the budget on the District's or County's website.

Condition – The Conservation District did not adopt a balanced budget by resolution. This issue has continued from fiscal year ended September 30, 2014.

Effect – The Conservation District is in violation of Florida Statutes, Chapter 189.016.

Cause – Due to the fact that the Conservation District does not know what state funding they will receive, they find it difficult to prepare a budget.

Recommendation – The Conservation District should prepare a budget in order to be in compliance with Florida Statute 189.016 and make necessary amendments as the year progresses.

2018-001

Criteria – An entity's system of internal control should be sufficient to ensure all properly approved grant disbursements are submitted for reimbursement by granting agency in a timely manner.

Condition – A properly approved grant disbursement was not submitted for reimbursement until omission was discovered during audit procedures.

Effect – The District would have to absorb the cost of the grant disbursement in their general funds, which could result in financial difficulties for the District.

Cause – The District's internal controls system was not sufficient to ensure all grant disbursements were submitted for reimbursement in a timely manner.

Recommendation – The District should implement a system of checks and balances to ensure all proper grant disbursements are submitted for reimbursement timely.

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.

MEMBERS
FLORIDA INSTITUTE AND
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Holmes Creek Soil and Water Conservation District
Bonifay, Florida

Report on the Financial Statements

We have audited the financial statements of the Holmes Creek Soil and Water Conservation District as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated May 2, 2019.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Schedule of Findings; 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 and schedule, which are dated May 2, 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 financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report except as noted below under the heading Prior Year Findings and Recommendations.

The management letter items are as follows:

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2016-17 FY Finding #	2015-16 FY Finding #
2014-01	2014-01	2014-01
2016-01	2016-01	2016-01

The schedule of findings items are as follows:

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2016-17 FY Finding #	2015-16 FY Finding #
2003-002	2003-002	2003-002
2007-001	2007-001	2007-001
2016-001	2016-001	2016-001
2018-001	N/A	N/A

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. This information is disclosed in the notes to the 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 Holmes Creek Soil and Water Conservation District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific conditions met. In connection with our audit, we determined that the Holmes Creek Soil and Water Conservation 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 Holmes Creek Soil and Water Conservation District. It is management’s responsibility to monitor the Holmes Creek Soil and Water Conservation District’s financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. See items below under Prior Year Findings for our recommendations.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

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

Prior Year Findings

2014-01: It was noted during the audit that a board member does not approve invoices prior to payment. It is recommended that a member of the board of directors review and approve invoices prior to their payment to insure proper internal controls are in place. This items remains.

2016-01: It was noted during the audit that administration fees paid to the District through grant contracts are not being transferred from the grant cash account to the regular account. It is recommended these funds be transferred out of the grant account in order to track grant fund appropriately.

Current Year Findings

None

Marianna, Florida
May 2, 2019

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

RESPONSE TO AUDIT FINDINGS

Holmes Creek Soil and Water Conservation District

Florida's First District
103 North Oklahoma – Bonifay, FL 32425
(850) 547-2850 Ext. 3003

May 2, 2019

Mr. Owen W. Grimsley, C.P.A.
Grimsley, Cavin & Company
Post Office Box 220
Marianna, Florida 32447

Re: Audit for Fiscal Year Ended September 30, 2018

Dear Mr. Grimsley,

This letter is in response to the audit for the above referenced period for our Agency. We have listed below our response to the deficiencies noted by your company.

1. Regarding the Schedule of Findings, Item 2003-002 and Item 2007-001.
Due to the size of the office these findings will remain an issue. However the management board will remain active in the overseeing of day to day practices.
2. Regarding the Schedule of Findings, Item 2016-001. The board is in the process of preparing a yearly budget and will be making necessary amendments as the year progress.
3. Regarding the Schedule of Findings, Item 2018-001. This issue has been corrected. The board will oversee grant disbursements to insure they will be submitted in a timely manner.
4. Regarding Prior Year Findings, Item 2014-01. The board will initial invoices before payments are made after the members have reviewed the invoices.
5. Regarding Prior Year Findings, 2016-01. The board will oversee the transferring of administration fees in a timely manner.

Sincerely,



Joe Franklin
Chairman