

Flagler Estates Road and Water Control District

Audit Report

September 30, 2019



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Flagler Estates Road and Water Control District

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INDEPENDENT AUDITORS' REPORT

Board of Supervisors
Flagler Estates Road and Water Control District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Flagler Estates Road and Water Control District (the "District") as of and for the fiscal year ended September 30, 2019, and the related notes to the 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 each major fund of the District as of

September 30, 2019, and the respective changes in financial position thereof 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 management's discussion and analysis and the budgetary comparison information 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 30, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Carly Riggs & Ingram, L.L.C.

St. Augustine, Florida
June 30, 2020

Management's Discussion and Analysis

This discussion and analysis of the Flagler Estates Road and Water Control District's financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2019. Please read it in conjunction with the District's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2019:

- The District's overall net position decreased by \$270,495.
- Total ending unrestricted net position was \$1,764,520.
- The District had total expenses for the year of \$1,605,453, compared to revenues of \$1,334,958.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This annual report contains government-wide financial statements that report on the District's activities as a whole and fund financial statements that report on the District's individual funds.

Government-wide Financial Statements

The first financial statement is the Statement of Net Position. This statement includes all of the District's assets and liabilities using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private-sector companies. All of the current year revenues and expenses are recorded, regardless of when cash is received or paid. Net position – the difference between assets and liabilities – can be used to measure the District's financial position.

The second financial statement is the Statement of Activities. This statement is also shown using the accrual basis of accounting. It shows the increases and decreases in net position during the fiscal year. Over time, the increases or decreases in net position are useful indicators of whether the District's financial health is improving or deteriorating. However, other non-financial factors, such as road conditions or changes in the tax base, must also be considered when assessing the overall health of the District.

Fund Financial Statements

Following the government-wide financial statements are the fund financial statements.

- Governmental funds are accounted for using modified accrual accounting. Modified accrual accounting focuses on available cash and other financial assets that can readily be converted to cash. This provides a shorter-term view of the governmental funds' financial assets. A reconciliation is provided with these statements, which helps to explain the difference between the fund financial statements and the government-wide financial statements.

The District has two governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and Capital Projects Fund, both of which are considered to be major funds.

Flagler Estates Road and Water Control District

Management's Discussion and Analysis

The following presents condensed data about net position and changes in net position.

<i>As of September 30,</i>	Net Position	
	2019	2018
Assets:		
Non-capital assets	\$ 1,786,681	\$ 2,002,873
Capital assets	4,743,273	4,793,864
Total assets	6,529,954	6,796,737
Liabilities:		
Current liabilities	2,287	3,609
Long-term liabilities:		
Due within one year	19,874	14,840
Total liabilities	22,161	18,449
Net position:		
Net investment in capital assets	4,743,273	4,793,864
Unrestricted	1,764,520	1,984,424
Total net position	\$ 6,507,793	\$ 6,778,288

<i>Year ended September 30,</i>	Change in Net Position	
	2019	2018
Program revenues:		
Charges for services	\$ 89,116	\$ 298,388
Operating grants	110,375	-
General revenues:		
Special assessments	1,116,428	861,765
Investment earnings	14,841	6,824
Miscellaneous	4,198	2,726
Total revenues	1,334,958	1,169,703
Program expenses:		
Physical environment – water control	1,012,581	954,994
Transportation	592,872	605,749
Total expenses	1,605,453	1,560,743
Change in net position	(270,495)	(391,040)
Beginning net position	6,778,288	7,169,328
Ending net position	\$ 6,507,793	\$ 6,778,288

Management's Discussion and Analysis

OVERALL FINANCIAL ASSETS AND RESULTS OF OPERATIONS

Governmental Activities

The governmental activities generated \$199,491 in program revenues and \$1,135,467 of general revenues, and incurred \$1,605,453 of program expenses. This resulted in a \$270,495 decrease in net position.

THE DISTRICT'S INDIVIDUAL FUNDS

General Fund

The General Fund's fund balance decreased by \$189,073 from \$1,708,802 to \$1,519,729. This was the result of equipment and other capital purchases during the year.

Capital Projects Fund

The Capital Projects Fund balance decreased by \$25,797 from \$290,462 to \$264,665. This was the result of road paving projects completed during the year.

BUDGETARY HIGHLIGHTS

The original budget for the General Fund was amended to reflect actual activity occurring in the Fund for the year. The District operated within its budget for the year ended September 30, 2019. Significant expenditure budget amendments include purchase of equipment and road repairs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

There was significant capital asset activity during 2019, including drainage and roadway improvements. The District also purchased equipment. Please refer to a note to the accompanying financial statements entitled *Capital Assets and Depreciation* for more detailed information about the District's capital asset activity.

Debt Administration

At September 30, 2019, the District has no significant long-term liabilities. Please refer to a note to the accompanying financial statements entitled *Long-term Liabilities* for more detailed information about the District's long-term debt activity.

ECONOMIC FACTORS

Upcoming Department of Environmental Protection regulations may significantly affect future costs. We are not currently aware of any other conditions that are expected to have a significant effect on the District's financial assets or results of operations.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Neville Wainio CPAs, Treasurer, at 5 Arredondo Ave, St. Augustine, Florida 32080.

Flagler Estates Road and Water Control District

Statement of Net Position
As of September 30, 2019

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,618,005
Investment in state pool	116,033
Inventory	52,643
Capital assets:	
Nondepreciable	82,144
Depreciable capital assets, net	4,661,129
<hr/>	
Total assets	6,529,954
<hr/>	
Liabilities	
Accounts payable and accrued liabilities	2,287
Long-term liabilities:	
Due within one year	19,874
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Total liabilities	22,161
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Net position	
Net investment in capital assets	4,743,273
Unrestricted	1,764,520
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Total net position	\$ 6,507,793
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The accompanying "Notes to Financial Statements"
form an integral part of this statement.

Flagler Estates Road and Water Control District

Statement of Activities
Year ended September 30, 2019

Functions/programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
Governmental activities:				
Physical environment	\$ 1,012,581	\$ 46,340	\$ 57,395	\$ (908,846)
Transportation	592,872	42,776	52,980	(497,116)
Total governmental activities	\$ 1,605,453	\$ 89,116	\$ 110,375	(1,405,962)
General revenues:				
				1,116,428
Special assessments				14,841
Investment earnings				4,198
Miscellaneous				
Total general revenues				1,135,467
Change in net position				(270,495)
Net position – beginning of the year				6,778,288
Net position – end of the year				\$ 6,507,793

The accompanying "Notes to Financial Statements"
form an integral part of this statement.

Flagler Estates Road and Water Control District

Balance Sheet
Governmental Funds
As of September 30, 2019

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 1,353,340	\$ 264,665	\$ 1,618,005
Investment in state pool	116,033	-	116,033
Inventory	52,643	-	52,643
Total assets	\$ 1,522,016	\$ 264,665	\$ 1,786,681
Liabilities and fund balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 2,287	\$ -	\$ 2,287
Total liabilities	2,287	-	2,287
Fund balances:			
Nonspendable:			
Inventory	52,643	-	52,643
Assigned for capital projects	-	264,665	264,665
Unassigned	1,467,086	-	1,467,086
Total fund balances	1,519,729	264,665	1,784,394
Total liabilities and fund balances	\$ 1,522,016	\$ 264,665	\$ 1,786,681

The accompanying "Notes to Financial Statements"
form an integral part of this statement.



Flagler Estates Road and Water Control District

**Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
As of September 30, 2019**

Fund balances - total governmental funds	\$ 1,784,394
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not reported in the governmental funds.	
Capital assets - net of accumulated depreciation	4,743,273
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Compensated absences	(19,874)
<hr/>	
Net position of governmental activities	\$ 6,507,793
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The accompanying "Notes to Financial Statements"
form an integral part of this statement.

Flagler Estates Road and Water Control District

**Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year ended September 30, 2019**

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
Charges for services	\$ 89,116	\$ -	\$ 89,116
Intergovernmental	110,375	-	110,375
Special assessments	894,077	222,351	1,116,428
Miscellaneous	17,989	1,050	19,039
Total revenues	1,111,557	223,401	1,334,958
Expenditures			
Current:			
Physical environment	452,490	3,838	456,329
Transportation	417,684	3,543	421,226
Capital outlay	330,456	341,817	672,273
Total expenditures	1,200,630	349,198	1,549,828
Excess of revenues over (under) expenditures	(89,073)	(125,797)	(214,870)
Other financing sources (uses)			
Transfers in	-	100,000	100,000
Transfers out	(100,000)	-	(100,000)
Total other financing sources (uses)	(100,000)	100,000	-
Net change in fund balance	(189,073)	(25,797)	(214,870)
Fund balance - October 1, 2018	1,708,802	290,462	1,999,264
Fund balance - September 30, 2019	\$ 1,519,729	\$ 264,665	\$ 1,784,394

The accompanying "Notes to Financial Statements"
form an integral part of this statement.

Flagler Estates Road and Water Control District

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance to the Statement of Activities
Governmental Funds
Year ended September 30, 2019**

Net change in fund balance - total governmental funds \$ (214,870)

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 depreciated over their estimated useful lives.

Expenditures for capital assets	672,273
Current year depreciation	(722,864)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(5,034)
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Change in net position of governmental activities \$ (270,495)

The accompanying "Notes to Financial Statements"
form an integral part of this statement.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Flagler Estates Road and Water Control District (the “District”) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Reporting Entity

The District is an independent special district, created under Chapter 81-481, Laws of Florida. Chapter 98-529, Laws of Florida, subsequently codified all previous acts pertaining to the District. It operates under the direction of a Board of Supervisors elected by the landowners within the District.

The District uses the criteria established in GASB Statement No. 14, as amended, to define the reporting entity and identify component units. There are no component units included within the District’s reporting entity.

The District did not participate in any joint ventures during the 2018-2019 fiscal year.

Government-wide Financial Statements

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the activities of the District. *Governmental activities* are reported separately from *business-type activities*, which rely on fees charged to external parties as their primary revenues. The District has no business-type activities.

The Statement of Net Position reports the District’s financial assets as of the end of the year. In this statement, the District’s net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. The District had no net position restricted by enabling legislation.

The Statement of Activities is displayed using a net-cost format and reports the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include: 1) charges for services that are directly related to a given function; and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. The governmental fund statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District reports the following major governmental funds:

Governmental Funds

General Fund – The General Fund is the general operating fund of the District. It is used to account for and report for all financial resources not accounted for and reported in another fund.

Capital Projects Fund – To account for financial resources intended to be used for the acquisition or construction of major capital projects.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

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

Cash and Cash Equivalents

All deposits are placed in a bank that qualifies as a public depository, as required by law (Florida Security for Public Deposits Act). Accordingly, all deposits are insured by Federal depository insurance and/or entirely collateralized pursuant to Chapter 280, Florida Statutes.

Investments

The District deposits surplus funds with the State Board of Administration's (the "SBA") Local Government Investment Pool (the "State Pool"). It is an authorized form of investment, pursuant to Section 218.415, Florida Statutes, and is the only type of investment held at September 30, 2019.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Expenditures

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Inventory

Inventory is stated at cost, based on the first-in, first-out method. Inventory in the governmental funds is recorded under the purchases method.

Capital Assets and Depreciation

Capital assets are defined by the District as assets with an initial, individual cost of \$500 or more and an estimated useful life of more than one year. These assets are recorded at historical cost. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Pursuant to GASB 34, the District elected to report infrastructure prospectively. Land and construction in progress are not depreciated. Depreciable capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25-40
Vehicles and equipment	5-10
Infrastructure	10-15

Compensated Absences

The District’s personnel policies allow a limited vesting of unused employee vacation and sick leave time.

The liability for compensated absences is accrued when incurred in the government-wide financial statements. In the fund financial statements, a liability for compensated absences is reported to the extent that the liability will be liquidated with expendable available financial resources.

Long-Term Liabilities

All long-term debt and other long-term obligations are reported in the government-wide financial statements.

In the fund financial statements, long-term liabilities are not reported in the governmental funds because governmental funds use the current financial resources measurement focus.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position represents the difference between assets and liabilities and is reported in three categories as hereafter described. Net position reported as *investment in capital assets* represents capital assets, net of accumulated depreciation and any outstanding debt related to those assets. Net position is reported as *restricted* when there are legal limitations imposed on its use by the District's legislation, or external restrictions imposed by other governments, creditors, or grantors. *Unrestricted* net position is net position that does not meet the definitions of the classifications previously described.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

Fund Balance

The District follows the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* to classify fund balances for governmental funds into specifically defined classifications. The classifications comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

The fund balance classifications specified in GASB Statement No. 54 are as follows:

Non-spendable Fund Balance – Non-spendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the District's highest level of decision-making authority, which is a resolution of the District. Committed amounts cannot be used for any other purpose unless the District removes those constraints by taking the same type of action.

Assigned Fund Balance – Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Board of Supervisors or (b) a body or official to which the Board of Supervisors has delegated the authority to assign amounts to be used for specific purposes.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the General Fund.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District’s policy is to expend resources in the following order: restricted, committed, assigned, and unassigned.

Use of Estimates

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

NOTE 2 – INVESTMENTS

The District’s investments at September 30, 2019 are summarized in the following table:

	Amount	S&P Rating
Florida PRIME	\$ 116,033	AAAm

The District invests temporarily idle resources in the Local Government Investment Pool (“State Pool”). The State Pool is administered by the Florida State Board of Administration (“SBA”), who provides regulatory oversight.

The Florida PRIME is an external investment pool that meets all of the necessary criteria to elect to measure all of the investments in Florida PRIME at amortized cost. Therefore, the District’s investment in the Florida PRIME is stated at amortized costs. The fair value of the assets in the pool is equal to the value of the pool shares.

The District’s investment in the State Pool exposes it to credit risk. The District does not have a formal policy relating to this risk, which is hereafter described.

Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations

The Florida PRIME is rated by Standard and Poor’s and has a rating at September 30, 2019 of AAAm.

Interest Rate Risk – The risk that changes in interest rate will adversely affect the fair value of an investment

The weighted average maturity (WAM) of the Florida PRIME at September 30, 2019 was 37 days

Flagler Estates Road and Water Control District

Notes to Financial Statements

NOTE 3 – NON AD-VALOREM ASSESSMENTS

Revenues are recognized for the year levied. Details are as follows: lien date, January 1; delinquent date, April 1; levy date, October 1; and collection dates, November 1 through March 31.

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended September 30, 2019 was as follows:

	Balance October 1, 2018	Additions	Deletions	Balance September 30, 2019
Capital assets not being depreciated:				
Land	\$ 82,144	\$ -	\$ -	\$ 82,144
Capital assets being depreciated:				
Infrastructure	11,170,918	509,773	-	11,680,691
Buildings	72,601	-	-	72,601
Equipment	1,585,812	162,500	85,012	1,663,300
Total capital assets being depreciated	12,829,331	672,273	85,012	13,416,592
Less accumulated depreciation for:				
Infrastructure	6,696,868	634,938	-	7,331,806
Buildings	62,287	1,687	-	63,974
Equipment	1,358,456	86,239	85,012	1,359,683
Total accumulated depreciation	8,117,611	722,864	85,012	8,755,463
Total capital assets being depreciated, net	4,711,720	(50,591)	-	4,661,129
Capital assets, net	\$ 4,793,864	\$ (50,591)	\$ -	\$ 4,743,273

Depreciation expense was charged to functions as follows:

Physical environment	\$ 375,890
Transportation	346,974
Total depreciation expense	\$ 722,864

Notes to Financial Statements

NOTE 5 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities is as follows:

	Balance October 1, 2018	Additions	Deletions	Balance September 30, 2019	Due Within One Year
<u>Compensated absences</u>	<u>\$ 14,840</u>	<u>\$ 30,573</u>	<u>\$ 25,539</u>	<u>\$ 19,874</u>	<u>\$ 19,874</u>

NOTE 6 – RETIREMENT PLAN

The District sponsors a 403(b) retirement plan. The District’s contribution is discretionary. Eligible employees are those who are at least 21 years of age and there is no minimum service requirement. The District made contributions of \$18,000 to the plan for the year ended September 30, 2019.

NOTE 7 – RISK MANAGEMENT

The District is exposed to various risks of loss, including general liability, property, automobile and officials’ and employment practices liability. To manage its risks, the District participates in the Preferred Governmental Insurance Trust (the “Trust”) a public entity risk pool currently operating as a common risk management and insurance program for local governments. The District pays an annual premium to the Trust for its coverage. The premiums are designed to fund the liability risks assumed by the Trust and are based on certain actual exposures of each member.

NOTE 8 – SUBSEQUENT EVENTS

In October 2019, the District financed equipment with an original cost of \$301,628. The terms of the agreement require annual payments of \$72,859 starting October 7, 2019 and ending October 7, 2022.

Required Supplementary Information

Flagler Estates Road and Water Control District

**Budgetary Comparison Schedule – General Fund
Year ended September 30, 2019**

	Budgeted		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 46,875	\$ 46,875	\$ 89,116	\$ 42,241
Intergovernmental	-	-	110,375	110,375
Special assessments	822,021	822,021	894,077	72,056
Miscellaneous	3,600	3,600	17,989	14,389
Total revenues	872,496	872,496	1,111,557	239,061
Expenditures				
Current:				
Physical environment	451,863	471,883	452,490	19,393
Transportation	417,105	435,585	417,684	17,901
Capital Outlay	34,500	305,000	330,456	(25,456)
Total expenditures	903,468	1,212,468	1,200,630	11,838
Excess of revenues over (under) expenditures	(30,972)	(339,972)	(89,073)	250,899
Other financing sources (uses)				
Transfers out	-	-	(100,000)	(100,000)
Net change in fund balance	(30,972)	(339,972)	(189,073)	150,899
Fund balances – October 1, 2018	1,708,802	1,708,802	1,708,802	-
Fund balances – September 30, 2019	\$ 1,677,830	\$ 1,368,830	\$ 1,519,729	\$ 150,899

Notes to Schedule:

The annual budget is prepared by the Treasurer and approved by the Board of Supervisors. The budget is prepared on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. Budget amendments can only be made with approval of the Board of Supervisors. The fund is the legal level of control.

Supplementary Information

Flagler Estates Road and Water Control District

**Schedule of Expenditures
Year ended September 30, 2019**

	General Fund	Capital Projects Fund	Total Governmental Funds
Salaries and wages	\$ 367,989	\$ -	\$ 367,989
Payroll taxes	28,276	-	28,276
Life and health insurance	96,943	-	96,943
Retirement	18,453	-	18,453
Vegetation control	63,320	-	63,320
Fuel	48,687	-	48,687
Repairs and supplies	64,770	-	64,770
Utilities and telephone	11,929	-	11,929
Insurance	52,357	-	52,357
Legal and accounting	58,060	-	58,060
Travel	2,124	-	2,124
Tax collection expense	40,382	7,381	47,763
Engineering	7,788	-	7,788
Office supplies and postage	3,923	-	3,923
Other current charges	5,173	-	5,173
Capital outlay	330,456	341,817	672,273
Total expenditures	\$ 1,200,630	\$ 349,198	\$ 1,549,828

**Additional Elements Required
By the Rules of the Auditor General**

MANAGEMENT LETTER

Board of Supervisors
Flagler Estates Road and Water Control District
Hastings, Florida

Report on the Financial Statements

We have audited the financial statements of the Flagler Estates Road and Water Control District, as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated June 30, 2020.

Auditors' 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 and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' 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 June 30, 2020, 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. All prior audit findings recurred in the current fiscal year and were also reported as findings in the second preceding financial audit report. These requirements of the Rules of the Auditor General are addressed in the accompanying Schedule of Findings.

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 Flagler Estates Road and Water Control 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 Flagler Estates Road and Water Control 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 Flagler Estates Road and Water Control District. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

Section 10.554(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.

Additional Matters

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

Purpose of this Letter

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

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of the audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

Carly Riggs & Ingram, L.L.C.

St. Augustine, Florida
June 30, 2020

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Supervisors
Flagler Estates Road and Water Control District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Flagler Estates Road and Water Control District (the "District") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 30, 2020.

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 the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control described as items 2019-001 and 2019-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Response to Findings

The District's response to the findings identified in our audit is described in its accompanying letter of response. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on 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.

Carly Riggs & Ingram, L.L.C.

St. Augustine, Florida
June 30, 2020

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

Board of Supervisors
Flagler Estates Road and Water Control District

We have examined Flagler Estates Road and Water Control District's (the "District") compliance with the specified requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2019. Management of the District is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.

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.

St. Augustine, Florida
June 30, 2020

Schedule of Findings

2019-001 (Reported in previous audit reports as items 2018-001 and 2017-001)

Criteria – Adequate controls should be in place to allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements in a timely basis. Although the small size of the business office staff limits the extent of separation of duties, we believe certain steps could be taken to separate incompatible duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

Condition – The manager receives cash receipts, prepares and is a signor on checks, reconciles bank accounts, and enters general ledger transactions.

Cause – Because of a limited number of available personnel, it is not always possible to adequately segregate incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Effect – Incompatible duties are not adequately separated. The result is that intentional or unintentional errors could be made and not detected.

Recommendation – To the extent possible, given available personnel, steps should be taken to separate employee duties so that no one individual has access to both physical assets and the related accounting records, or to all phases of a transaction.

2019-002 (Reported in previous audit reports as items 2018-002 and 2017-002)

Criteria – Financial statements must be presented in accordance with generally accepted accounting principles.

Condition – As a part of the audit process, it was necessary for us to propose material adjustments to the financial statements. It was also necessary for us to assist with the preparation of the District’s financial statements.

Cause – Personnel are unable to prepare financial statements, including related notes, and material adjustments for governmental wide presentation, in accordance with generally accepted accounting principles.

Effect – Our proposed financial statements were accepted by management, enabling the financial statements to be fairly presented in conformity with generally accepted accounting principles.

Recommendation – We recommend that you consider and evaluate the costs and benefits of improving internal controls relative to the financial reporting process.

