

LAKE SOIL AND WATER CONSERVATION DISTRICT
ANNUAL FINANCIAL REPORT
Year Ended September 30, 2019

LAKE SOIL AND WATER CONSERVATION DISTRICT

Elected Officials

<u>Supervisors</u>	<u>Group Number</u>	<u>Term Expires</u>
Banks Helfrich, Chairman	1	December 2022
Rose Fitzpatrick, Treasurer	2	December 2020
Cassandra Brown, Supervisor	3	December 2022
Timothy O'Connell II, Supervisor	4	August 2019
Robert Myatt, Supervisor	5	December 2022

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors of the
Lake Soil and Water Conservation District
Tavares, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Lake Soil and Water Conservation 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.

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 audit to obtain reasonable assurance about whether the financial statements are free of 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the District as of September 30, 2019, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in conformity 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
June 11, 2020

LAKE SOIL AND WATER CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended September 30, 2019

As management of the Lake Soil and Water Conservation District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2019.

Financial Highlights

The assets of the District exceeded its liabilities as of September 30, 2019, by \$71,013 (net position). This amount may be used to meet the government's ongoing operating obligations.

The government's total net position decreased by \$11,138 for the fiscal year ended September 30, 2019, and increased by \$2,135 for the fiscal year ended September 30, 2018.

Overview of the Financial Statements

The organization-wide and fund financial statements are combined for this annual report, as all activities of the District are governmental activities. The report consists of the organization-wide and fund financial statements and notes to the financial statements. The 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 Statement of Net Position and Governmental Fund Balance Sheet presents information on all of the District's assets and liabilities, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance presents information showing how the District's net position changed during the most recent fiscal year. The District uses the economic resources measurement focus and the accrual basis of accounting. All changes in net position are reported as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e., grants receivable and earned). These governmental activities are primarily supported by grants.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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. All of the District's grants are shown in the General Fund.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found after the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund.

Financial Analysis

Net position may serve over time as a useful indicator of the District's financial position. At the close of the fiscal year, assets exceeded liabilities by \$71,013. Investment in capital assets represents 42.3% of net position and, thus, is not available for future spending. The balance is unrestricted net position of \$40,993 and is available to meet the District's ongoing operating obligations. While there may be long-term management plans for unrestricted net position, they must be shown as unrestricted until external legal restrictions on their use occur. The District has no restricted net position at September 30, 2019.

Net capital assets decreased by \$12,955, primarily from depreciation expense. This also affected the investment in capital assets component of net position for a corresponding change.

Lake Soil and Water Conservation District Net Position

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets	\$ 181,864	\$ 175,896
Capital assets, net	<u>30,020</u>	<u>42,975</u>
Total Assets	<u>211,884</u>	<u>218,871</u>
LIABILITIES		
Current liabilities	<u>140,871</u>	<u>136,720</u>
NET POSITION		
Investment in capital assets	30,020	42,975
Unrestricted	<u>40,993</u>	<u>39,176</u>
Total Net Position	<u>\$ 71,013</u>	<u>\$ 82,151</u>

Assets of the District primarily consist of cash of \$106,322 and a grant receivable of \$69,392 as of September 30, 2019. Current liabilities consist of accounts payable for Mobile Irrigation Lab fourth-quarter expenses and an advance of \$76,466 from the Mobile Irrigation Lab grant.

While the statement of net position shows the change in the financial position of net position, the statement of activities provides answers as to the nature and source of these changes.

Lake Soil and Water Conservation District Statement of Activities

	<u>2019</u>	<u>2018</u>
Revenues	\$ 257,863	\$ 269,095
Expenses	269,001	267,458
Change in net position	(11,138)	2,135

Revenues primarily consist of intergovernmental revenue from the State of Florida for the Mobile Irrigation Lab grant. Likewise, expenses are primarily related to the Mobile Irrigation Lab project.

The District has a single fund, the General Fund. At the end of fiscal year 2019, unassigned fund balance was \$36,250, while the total fund balance was \$40,993. As a measure of liquidity, the unassigned fund balance represents 16% of total current-year expenditures, and the total fund balance represents 13% of total current-year expenditures. The General Fund fund balance increased by \$1,817 during the fiscal year ended 2019.

Capital Assets

The District's investment in capital assets for its governmental activities as of September 30, 2019 amounts to \$30,020 (net of accumulated depreciation). This investment in capital assets includes vehicles and equipment. There were no additions to capital assets in the current fiscal year. Decrease in net capital assets is primarily due to depreciation expense. The following table displays the District's capital assets.

Governmental Activities Capital Assets

	<u>2019</u>	<u>2018</u>
Equipment	\$ 14,598	\$ 14,598
Vehicles	<u>37,743</u>	<u>37,743</u>
	52,341	52,341
Less accumulated depreciation	<u>(22,321)</u>	<u>(9,366)</u>
Capital assets, net	<u>\$ 30,020</u>	<u>\$ 42,975</u>

Additional information on the District's capital assets can be found in Note 4 of this report.

Economic Factors

1. The average unemployment rate of the Lake County area is 2.9%. This is compared to 3.2% for the state and 3.5% for the nation.
2. At September 30, 2019, inflation nationally, as indicated by the Consumer Price Index, was 1.7%.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report should be addressed to the Lake Soil and Water Conservation District, Board of Supervisors, 1951 Woodlea Road, Tavares, FL 32778.

LAKE SOIL AND WATER CONSERVATION DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET

September 30, 2019

	General Fund	Adjustments (Note 2)	Statement of Net Position
ASSETS			
Cash and cash equivalents	\$ 106,322	\$ -	\$ 106,322
Certificates of deposit	1,407	-	1,407
Due from other governments	69,392	-	69,392
Prepaid items	4,743	-	4,743
Capital assets, net	-	30,020	30,020
TOTAL ASSETS	\$ 181,864	\$ 30,020	\$ 211,884
LIABILITIES			
Accounts payable	\$ 64,405	\$ -	\$ 64,405
Unearned grant revenue - Mobile Irrigation Lab	76,466	-	76,466
TOTAL LIABILITIES	140,871	-	140,871
FUND BALANCES / NET POSITION			
Fund balances:			
Nonspendable prepaid items	4,743	(4,743)	-
Unassigned	36,250	(36,250)	-
TOTAL FUND BALANCE	40,993	(40,993)	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 181,864		
Net position:			
Invested in capital assets		30,020	30,020
Unrestricted		40,993	40,993
TOTAL NET POSITION		\$ 71,013	\$ 71,013

The accompanying notes are an integral part of the financial statements.

LAKE SOIL AND WATER CONSERVATION DISTRICT

**STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE**

Year Ended September 30, 2019

	General Fund	Adjustments (Note 2)	Statement of Activities
REVENUES			
Intergovernmental	\$ 257,407	\$ -	\$ 257,407
Miscellaneous	450	-	450
Interest	6	-	6
	257,863	-	257,863
EXPENDITURES / EXPENSES			
Current:			
General Government	16,720	10,035	26,755
Conservation	239,326	2,920	242,246
	256,046	12,955	269,001
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,817	-	-
CHANGE IN NET POSITION	-	(12,955)	(11,138)
FUND BALANCE / NET POSITION			
BEGINNING OF YEAR	39,176	42,975	82,151
END OF YEAR	\$ 40,993	\$ 30,020	\$ 71,013

The accompanying notes are an integral part of the financial statements.

LAKE SOIL AND WATER CONSERVATION DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND**

Year Ended September 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 318,850	\$ 318,850	\$ 257,407	\$ (61,443)
Donations	1,000	1,000	-	(1,000)
Miscellaneous	-	-	450	450
Interest	10	10	6	(4)
	319,860	319,860	257,863	(61,997)
TOTAL REVENUES				
EXPENDITURES				
Current:				
General Government:				
General services	33,993	33,993	16,720	17,273
Conservation:				
Water resource development cost share	14,242	14,242	-	14,242
Mobile Irrigation Lab	271,625	271,625	239,326	32,299
Total Conservation	285,867	285,867	239,326	46,541
	319,860	319,860	256,046	63,814
TOTAL EXPENDITURES				
NET CHANGE IN FUND BALANCE	-	-	1,817	1,817
FUND BALANCE - BEGINNING OF YEAR	-	-	39,176	39,176
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ 40,993	\$ 40,993

The accompanying notes are an integral part of the financial statements.

LAKE SOIL AND WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Lake Soil and Water Conservation District (the “District”) is an independent special district formed in 1944. The District’s statutory authority is Chapter 582 of the Florida Statutes.

The purpose of the District is to “provide services for soil and water conservation, and proper utilization of natural resources, and to promote the continued use of land for agricultural purposes.”

There are no component units that should be included within the District’s financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements report information on all the activities of the primary government. The District only has governmental activities and does not engage in any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefits from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

Fund financial statements are presented for the District’s General Fund. This fund is considered to be a major fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)**

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 period. Expenditures generally are recorded when a liability is incurred, as under accrual 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. Grants and similar items are recognized as revenue when received and reported as reservations of net position until all eligibility requirements imposed by the provider have been met.

Assets, Liabilities, and Net Position

- 1) **Deposits and Investments** - The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statute allows public deposits only at qualified depositories that have deposited required collateral in the name of the Treasurer of the State of Florida under the Florida Security for Deposits Act. Therefore, all deposits are entirely insured by FDIC or Florida's multiple financial institution collateral pool.

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. The District's investments are certificates of deposit in qualified depositories.

- 2) *Receivable from Other Governments* - This amount represents reimbursable grant expenditures that are due from other governments.
- 3) *Prepays* - Prepays represent payments made to vendors for services that will benefit beyond September 30, 2019. These payments are recorded as expenditures or expenses when consumed rather than when purchased.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Assets, Liabilities, and Net Position (Continued)

- 4) *Capital Assets* - Capital assets include equipment and vehicles and are reported in governmental activities in the government-wide financial statements. Property, plant, equipment, and intangibles with initial, individual costs that equal or exceed \$1,000 and estimated useful lives of over one year are recorded as capital assets. Equipment and vehicles purchased in the General Fund are recorded as expenditures at time of purchase in the governmental fund statements. Gifts or contributions of capital assets are recorded in the General Fund at acquisition value at the time received. Depreciation and amortization have been provided on capital assets as a direct charge using the straight-line method over the estimated useful lives of the various classes of depreciable and amortizable assets, which range from 3-5 years.
- 5) *Unearned Revenues* - Grant funds received in excess of costs incurred are recorded as unearned revenues.
- 6) *Fund Balances* - In accordance with generally accepted accounting standards, the District classifies governmental fund balances as follows:
 - *Nonspendable Fund Balance* - represents fund balance that is (a) not in a spendable form, such as prepaid items, or (b) legally or contractually required to be maintained intact, such as an endowment.
 - *Unassigned Fund Balance* - represents the residual classification of fund balance and includes all spendable amounts not contained within the other classifications of the General Fund.

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

Adjustments were made to include capital assets (net of accumulated depreciation) on the statement of net position. This resulted in a net difference between ending governmental fund balances and total net position of \$30,020.

Ending governmental fund balances	\$ 40,993
Capital assets, net	<u>30,020</u>
Total net position	<u>\$ 71,013</u>

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Adjustments were made to include depreciation expense and eliminate capital outlay expenditures on the statement of activities. This resulted in a net difference between “excess (deficiency) of revenues over (under) expenditures” and “change in net position” of \$ (11,138).

Excess (deficiency) of revenues over (under) expenditures	\$ 1,817
Depreciation expense	<u>(12,955)</u>
Change in net position	<u>\$ (11,138)</u>

NOTE 3 - BUDGETS

The Board adopts a budget for anticipated revenues and expenses that are under the Board’s control. All appropriations lapse at fiscal year-end. The legal level of budgetary control is the fund level.

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets during the fiscal year:

	<u>Balance</u> <u>10/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/2019</u>
Equipment	\$ 14,598	\$ -	\$ -	\$ 14,598
Vehicles	37,743	-	-	37,743
Less: Accumulated depreciation	<u>(9,366)</u>	<u>(12,955)</u>	<u>-</u>	<u>(22,321)</u>
Total capital assets, net	<u>\$ 42,975</u>	<u>\$ (12,955)</u>	<u>\$ -</u>	<u>\$ 30,020</u>

Depreciation expense of \$10,035 is charged to the general government function, and \$2,920 is charged to the conservation function.

NOTE 5 - ECONOMIC DEPENDENCY

The District derived 99.8% of its revenue from the Mobile Irrigation Lab grant from the State of Florida. Eighty-three percent of the District’s expenses were related to this grant as well.

NOTE 6 - RELATED PARTY

The staff that serves the District is supplied by the Lake County, Florida Board of County Commissioners. There is no amount recognized in the financial statements for the value of this staff. Personnel costs are primarily paid by the County. The Mobile Irrigation Lab expenses are paid by the County, as its staff provides the services for this grant. The District is then invoiced by the County for the expenses and services related to the Mobile Irrigation Lab grant.

NOTE 7- SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As of the date of this report, the District's operations remained uninterrupted. However, the District cannot reasonably estimate the length or severity of this pandemic nor can the fiscal impacts be determined.



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

Board of Supervisors of the
Lake Soil and Water Conservation District
Tavares, 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, the governmental activities and General Fund of the Lake Soil and Water Conservation 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, and have issued our report thereon dated June 11, 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 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 over financial reporting 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described below as item 2019-001, that we consider to be a significant deficiency.

2019-001 – SEGREGATION OF DUTIES

Criteria

Effective internal controls include appropriate segregation of duties which is the principle that no single individual has control over all phases of a transaction (authorization, custody, record keeping, and reconciliation). Segregation of duties reduces the risk of both erroneous and inappropriate actions.

Condition

During our audit, we noted that due to a lack of staffing resources, the Board Treasurer assumed the role of bookkeeper for the District during fiscal year 2019 and performed all accounting functions while also having signature authorization on the District's bank accounts. The Treasurer provided financial reports to the Board but there was no evidence that a second individual reviewed the District's bank statements, invoice documentation, and cash receipts.

Potential Effect

A lack of segregation of duties could result in errors or inappropriate actions not being discovered on a timely basis.

Recommendation

While segregation of duties can be challenging to accomplish within a small organization, we recommend the District consider implementing the following practices to improve internal controls.

- Mail should be opened by an individual not responsible for accounting, such as the Board Chairperson. Cash receipts could be logged and the deposit prepared by this person. The deposit supporting documentation could then be forwarded to the Treasurer for recording in the check register.
- Bank statements, canceled checks, and appropriate advices should be received and opened by an individual not responsible for accounting, such as the Board Chairperson. These items could be periodically reviewed prior to turning them over to the Treasurer for reconciliation. Unusual items noted during the review should be investigated promptly.
- Supporting documents for cash disbursements should be reviewed by an individual not responsible for accounting, such as the Board Chairperson. The review should be documented by the Board Chairperson's initials and date of review.

Views of Responsible Officials of the District

The Board Chairperson was a check signatory which allowed for more than one individual to be responsible for the funds. Going forward, the Chairperson will review and initial cash disbursement supporting documentation.

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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described below as item 2019-002.

2019-002 – BUDGET ADOPTION

Criteria

Section 189.016(3), Florida Statutes, requires each special district to advertise and adopt a budget for each fiscal year. The adopted budget regulates expenditures of the special district and an officer of a special district may not expend or contract for expenditures in any fiscal year except pursuant to the adopted budget.

Condition

During our audit, we noted that the Board of Supervisors did not adopt the District's fiscal year 2019 budget until July 2019. The oversight of the budget adoption appeared to be caused by a turnover in the District's bookkeeping staff.

Potential Effect

The District could be considered noncompliant with Florida Statutes for expenditures made prior to the budget adoption.

Recommendation

We recommend that the District implement procedures to ensure that it meets Florida Statutes requirements regarding the timely advertisement and adoption of its annual budget.

Views of Responsible Officials of the District

Although the budget for fiscal year 2019 was not formally approved until July 2019, the budget was presented to the Board in September 2018, discussed, and a minor correction was made. The budget for fiscal year 2020 was formally approved in September 2019.

District's Response to Findings

The District's responses to the findings identified in our audit were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

We noted certain other matters that we reported to the District's management in a separate letter dated June 11, 2020.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
June 11, 2020



INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Board of Supervisors of the
Lake Soil and Water Conservation District
Tavares, Florida

Report on the Financial Statements

We have audited the basic financial statements of the Lake Soil and Water Conservation District (the "District") as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated June 11, 2020.

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 also issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with AICPA *Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated June 11, 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 annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority 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 that we apply appropriate procedures and report the results of our determination as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, the results of our tests did not indicate that the District met any of the conditions described in Section 218.503(1), Florida Statutes.

Financial Condition and Management (Continued)

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures for the District. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based, in part, on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we had the following recommendation:

2019-003 – SUPPORTING DOCUMENTATION

Condition

During our testing of cash disbursements, we noted that the District was unable to locate supporting documentation for several sample selections. The missing documentation appeared to be caused by a turnover in the District's bookkeeping staff during fiscal year 2019.

Recommendation

We recommend that the District implement record retention procedures to ensure that appropriate cash disbursement documentation is properly filed and maintained for each transaction for a minimum of five years.

Management Response

Since the departure of the District's administrative assistant in January 2019, District records are now recorded electronically along with hard copies and will be filed by fiscal year and retained for a minimum of five years.

Special District Component Units

Section 10.554(1)(i)5.c., *Rules of the Auditor General*, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined that all special district component units provided the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Additional Matters

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

Purpose of this Letter

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

MSL, P.A.

Certified Public Accountants

Orlando, Florida
June 11, 2020



INDEPENDENT ACCOUNTANT'S REPORT

Board of Supervisors of the
Lake Soil and Water Conservation District
Tavares, Florida

We have examined the Lake Soil and Water Conservation District's (the "District") compliance with the requirements of Section 218.415, Florida Statutes, during the fiscal year ended September 30, 2019. 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 those requirements. An examination involves performing procedures to obtain evidence about the District's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of 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 fiscal year ended September 30, 2019.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
June 11, 2020