

**North St. Lucie River  
Water Control District  
Financial Statement**

**Year Ended September 30, 2019**

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# McAlpin Cavalcanti & Lewis

C P A

## INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors  
North St. Lucie River Water Control District  
Ft. Pierce, Florida

We have audited the accompanying financial statements of the governmental activities and the major fund of the North St. Lucie River 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 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 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.

### 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 North St. Lucie River Water Control 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.

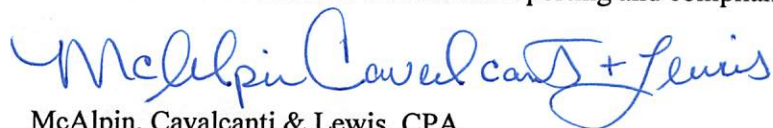
## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison information, Schedule of Proportionate Share of Net Pension Liability – Florida Retirement System and Health Insurance Subsidy Program, and Schedule of Pension Contributions – Florida Retirement System and Health Insurance Subsidy Program on pages 3 through 6 and 24 through 26, respectively, 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 February 25, 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 the effectiveness of the District's 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.



McAlpin, Cavalcanti & Lewis, CPA  
Ft. Pierce, Florida  
February 25, 2020





# North St. Lucie River Water Control District

14656 Orange Avenue  
Fort Pierce, Florida 34945

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of **North St. Lucie River Water Control 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. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the District's financial statements, which follow this narrative.

### Financial Highlights

The following are the highlights of financial activity for the year ended September 30, 2019.

- ❑ The District's total assets exceeded total liabilities by \$1,878,090 (total net position) as of September 30, 2019 and \$1,478,534 as of September 30, 2018. Unrestricted net position for Governmental Activities was \$477,177 and \$387,720 as of September 30, 2019 and September 30, 2018, respectively.
- ❑ Governmental activities revenues were \$1,486,893 and \$1,079,046 for years ended 2019 and 2018, respectively. Governmental activities expenses totaled \$1,087,338 and \$1,131,543 for years ended 2019 and 2018, respectively, which created an excess of revenues over expenses of \$399,555 for year ended 2019 and an excess of expenses over revenues of \$52,497 for the year ended 2018.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The District's basic financial statements comprise three components: 1) *Government-wide financial statements*, 2) *Fund financial statements*, and 3) *Notes to the financial statements*. The *Government-wide financial statements* present an overall picture of the District's financial position and results of operations. The *Fund financial statements* present financial information for the District's major fund. The *Notes to the financial statements* provide additional information concerning the District's finances that are not disclosed in the Government-wide or Fund financial statements.

The Government-wide financial statements are the statement of net position and the statement of activities. These statements use accounting methods similar to those used by private-sector companies. Emphasis is placed on the net position of governmental activities and the change in net position. Governmental activities are primarily supported by property taxes.

The statement of net position presents information on all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the District, with the difference between the total of assets and deferred outflows of resources and the total of liabilities and deferred inflows of resources being reported as net position. Net position is reported in three categories: 1) net investment in capital assets, 2) restricted, and

## MANAGEMENT'S DISCUSSION AND ANALYSIS

3) unrestricted. Assets, deferred outflow of revenues, liabilities, deferred inflows of resources, and net position are reported for all Governmental activities.

The statement of activities presents information on all revenues and expenses of the District and the change in net position. Expenses are reported by major function and program revenues relating to those functions are reported, providing the net cost of all functions provided by the District. The Governmental activities financed by the District include physical environment activities, such as water control and canal maintenance.

Fund financial statements present financial information for the governmental fund. These statements provide financial information for the major fund of the District. Governmental fund financial statements provide information on the current assets, liabilities, and changes in current financial resources (revenues and expenditures), and current available resources.

Fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balance for the governmental fund. Fund financial statements provide more detailed information about the District's activities.

The government-wide financial statements and the fund financial statements provide different pictures of the District. The government-wide financial statements provide an overall picture of the District's financial standing. These statements are comparable to private sector companies and give a good understanding of the District's overall financial health and how the District paid for the various activities, or functions, provided by the District. All assets and deferred outflows of resources of the District, including improvements other than buildings are reported in the statement of net position. The statement of activities includes depreciation on all long-lived assets of the District. The fund financial statements provide a picture of the major fund of the District. In the case of a governmental fund, outlays for long-lived assets are reported as expenditures. Reconciliations are included that provide a link from the fund financial statements to the government-wide financial statements.

Notes to the financial statements provide additional detail concerning the financial activities and financial balances of the District. Following the Notes is required supplementary information - a Budgetary Comparison Schedule for the General Fund and schedules presenting pension plan information.

### **Financial Analysis of the District**

The following schedules provide a summary of the District's net position and the changes in net position. These schedules provide a complete presentation of the government-wide financial activity of the current year compared to the prior year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Statement of Net Position**

	<u>2019</u>	<u>2018</u>	<u>Percent Change</u>
Current assets	\$ 617,415	\$ 491,715	25.6%
Non-current assets (capital assets)	1,400,913	1,090,814	28.4%
Deferred outflows of resources	36,055	38,945	-7.4%
<b>Total</b>	<u>2,054,383</u>	<u>1,621,474</u>	<u>26.7%</u>
Current liabilities	45,426	22,380	103.0%
Noncurrent liabilities (net pension liability)	121,713	108,381	12.3%
Deferred inflows of resources	9,154	12,179	-24.8%
<b>Total</b>	<u>176,293</u>	<u>142,940</u>	<u>23.3%</u>
<b>Net position</b>	<u>\$ 1,878,090</u>	<u>\$ 1,478,534</u>	<u>27.0%</u>

The increase in non-current assets (capital assets) is primarily due to the cost of construction for the restoration of Structure 29-2 within Canal 29. The project was completed in August of 2019.

The increase in liabilities is primarily due to an increase in the amount due to others for reviews and engineering fees.

The following schedule provides a summary of the changes in net position of the District.

**Changes in Net Position**

<u>Description</u>	<u>2019</u>	<u>2018</u>	<u>Percent Change</u>
<b>Program Revenues</b>			
Charges for services	\$ 133,067	\$ 125,343	6.2%
Operating grants - NRCS	276,618	-	100.0%
<b>General Revenues</b>			
Maintenance taxes	1,063,246	939,864	13.1%
Investment earnings	1,877	1,839	2.1%
Miscellaneous revenue	12,085	12,000	0.7%
<b>Total program and general revenues</b>	<u>1,486,893</u>	<u>1,079,046</u>	<u>37.8%</u>
<b>Program Expenses</b>			
Water control	1,087,338	1,131,543	-3.9%
<b>Total program expense</b>	<u>1,087,338</u>	<u>1,131,543</u>	<u>-3.9%</u>
<b>Change in net position of governmental activities</b>	<u>\$ 399,555</u>	<u>\$ (52,497)</u>	<u>-861.1%</u>

The increase in operating grants is due to a grant received from the NRCS (Natural Resources Conservation Service) for the restoration of Structure 29-2 within Canal 29.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Capital Assets Activity

At September 30, 2019, the District had \$7,103,026 in capital assets for its governmental activities. In the book value of \$1,400,913. See Note C for additional information on capital assets.

### Long-term Debt

At September 30, 2019, the District did not have any long-term debt.

### General Fund Budgetary Highlights

An operating budget was adopted and maintained by the governing board for the District. The budget was adopted using the same basis of accounting that is used in preparation of the fund financial statements. There were no amendments adopted for the original budget as set for fiscal year ending September 30, 2019. There were several significant variances from the final budget to actual. The positive variance of \$177,289, \$57,724 and \$27,101 for canal maintenance, pumping stations and engineering, respectively, resulted from costs related to the NRCS grant project which are shown in capital outlay.

### Economic Factors and Next Year's Budget

The District does not expect local economic factors to have a material effect upon financial position or results of operations of the District in the fiscal year ended 2020. The District anticipates that expenditures for general operations, maintenance, and infrastructure will exceed revenues by approximately \$25,656 as part of a continued multi-year plan for canal and water control maintenance and infrastructure upgrades.

### New Accounting Standards

The Governmental Accounting Standards Board (GASB) issued several pronouncements that are effective for these financial statements. These are:

- GASB Statement 75 – Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (Employers)
- GASB Statement 83 – Asset Retirement Disclosures
- GASB Statement 85 – Omnibus
- GASB Statement 86 – Certain Debt Extinguishment Issues
- GASB Statement 88 – Certain Debt Disclosures

The District has reviewed each statement and determined that none of these pronouncements have any discernable impact on these financial statements.

### Requests for Information

For those having interest, this financial report is designed to provide a general overview of the finances of the North St. Lucie River Water Control District. Requests for further information or questions concerning any information provided may be addressed to the District at its office mailing address, 14666 Orange Avenue, Fort Pierce, Florida 34945.



**NORTH ST. LUCIE RIVER WATER CONTROL DISTRICT**  
**Statement of Net Position**  
**September 30, 2019**

	<u>Primary Government Governmental Activities</u>
<b>Assets</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 542,229
Accounts receivable	56,754
Prepays	18,432
Total current assets	<u>617,415</u>
<b>Noncurrent assets:</b>	
Capital assets, nondepreciable	500,000
Capital assets, net of depreciation	900,913
Total noncurrent assets	<u>1,400,913</u>
Total current and noncurrent assets	<u>2,018,328</u>
<b>Deferred outflows of resources</b>	<u>36,055</u>
<b>Total</b>	<u><u>2,054,383</u></u>
<b>Liabilities</b>	
<b>Current liabilities:</b>	
Accounts payable	807
Due to others	44,619
<b>Noncurrent liabilities:</b>	
Net pension liability	<u>121,713</u>
Total current and noncurrent liabilities	<u>167,139</u>
<b>Deferred inflows of resources</b>	<u>9,154</u>
<b>Total</b>	<u>176,293</u>
<b>Net position</b>	
Net investment in capital assets	1,400,913
Unrestricted	477,177
Total net position	<u>1,878,090</u>
<b>Total</b>	<u><u>\$ 2,054,383</u></u>

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

**NORTH ST. LUCIE RIVER WATER CONTROL DISTRICT**

Statement of Activities

For the year ended September 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants</u>	<u>Change in</u>
				<u>Net Position</u>
				<u>Primary</u>
				<u>Government</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental Activities:				
Water control	\$ 1,087,338	\$ 133,067	\$ 276,618	\$ (677,653)

**General Revenues:**

Maintenance taxes	1,063,246
Investment earnings	1,877
Miscellaneous revenue	12,085
Total general revenues	<u>1,077,208</u>
Change in net position	<u>399,555</u>
Net Position - Beginning	<u>1,478,535</u>
Net Position - Ending	<u>\$ 1,878,090</u>

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

**NORTH ST. LUCIE RIVER WATER CONTROL DISTRICT**

**Balance Sheet  
Governmental Fund  
September 30, 2019**

	<u>General Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 542,229
Accounts receivable	56,754
Prepays	<u>18,432</u>
 Total assets	 <u><u>617,415</u></u>
<b>Liabilities</b>	
Accounts payable	807
Due to others	<u>44,619</u>
 Total liabilities	 <u><u>45,426</u></u>
<b>Fund balance:</b>	
Nonspendable	18,432
Unassigned	<u>553,557</u>
 Total fund balance	 <u><u>571,989</u></u>
 Total liabilities and fund balance	 <u><u>\$ 617,415</u></u>

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

**NORTH ST. LUCIE RIVER WATER CONTROL DISTRICT**  
**Reconciliation of the Balance Sheet to the Statement of Net Position**  
**September 30, 2019**

**Fund Balance - Total Governmental Fund** \$ 571,989

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 fund.

Governmental capital assets	\$ 7,103,026	
Less: accumulated depreciation	<u>(5,702,113)</u>	1,400,913

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions	\$ 36,055	
Deferred inflows of resources related to pensions	<u>(9,154)</u>	26,901

Net pension liability obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.

(121,713)

**Net Position of Governmental Activities** \$ 1,878,090

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

**NORTH ST. LUCIE RIVER WATER CONTROL DISTRICT**  
**Statement of Revenues, Expenditures and Change in Fund Balance**  
**General Fund**  
**For the year ended September 30, 2019**

	<u>General Fund</u>
<b>Revenues</b>	
Maintenance taxes	\$ 1,063,246
Federal grant	276,618
Permits, service fees and other income	145,152
Investment earnings	1,877
Total revenues	<u>1,486,893</u>
 <b>Expenditures</b>	
Current:	
Water control and canal maintenance	780,020
Administrative	208,576
Capital outlay	395,643
Total expenditures	<u>1,384,239</u>
Excess of revenues over expenditures	<u>102,654</u>
 <b>Fund balance</b>	
Beginning of year	<u>469,335</u>
End of year	<u>\$ 571,989</u>

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



**NORTH ST. LUCIE RIVER WATER CONTROL DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balance of Governmental Fund**  
**to the Statement of Activities**  
**For the year ended September 30, 2019**

**Net Change in Fund Balance - Total Governmental Funds** **\$ 102,654**

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 these assets is depreciated over their estimated useful lives.

Expenditures for capital assets	\$ 395,643	
Less: current year depreciation	<u>(85,545)</u>	310,098

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities the calculated pension expense is more than the employer pension contributions and therefore decreased net position.

(13,197)

**Change in Net Position of Governmental Activities** **\$ 399,555**

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

# NORTH ST. LUCIE RIVER WATER CONTROL DISTRICT

Notes to Financial Statements

September 30, 2019

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Reporting Entity

The North St. Lucie River Water Control District (the District) is a special district as defined by the laws of Florida and is located in St. Lucie County, Florida. The District was formed under Florida Statute – Chapter 298.01 and consists of landowners who receive the benefit of water management and are assessed taxes for the maintenance and operation of the areas within District boundaries.

As required by U.S. generally accepted accounting principles, the financial reporting entity consists of (1) the primary government, (2) organizations for which the District is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the District is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District is financially accountable if it appoints a voting majority of the organization's governing body and (a) it is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. Based on these criteria, the District's management examined all organizations that were legally separate in order to determine which organizations, if any, should be included in the District's financial statements. Management determined there are no component units.

### Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the activities of the District. The effect of interfund activities, if any, has been removed from these statements. The District has only governmental activities and does not engage in any business-type activities. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges for services for goods and services provided to participants on a voluntary basis. General revenues represent amounts received from ad valorem taxes and local sources. A fund financial statement is presented for the District's General Fund that 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.

# NORTH ST. LUCIE RIVER WATER CONTROL DISTRICT

## Notes to Financial Statements

September 30, 2019

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. However, expenditures related to long-term debt agreements are recorded only when payment is due.

The District reports the following major governmental fund:

General Fund - Accounts for all financial resources applicable to the general operations of the District.

### Budgets and Budgetary Accounting

The annual budget is adopted for the General Fund and approved by the Board of Supervisors. The budget amounts presented in the accompanying budgetary comparison schedule are as amended by the District's Board of Supervisors. Budgets are adopted on a basis consistent with U. S. generally accepted accounting principles, using the modified accrual basis of accounting. Budgetary control is established through a non-appropriated budget for the General Fund.

### Cash and Cash Equivalents

All short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to a known amount of cash, and at the day of purchase, have a maturity of no longer than three months.

### Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., drainage system), are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined as assets with a cost of \$1,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are stated at acquisition value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

<u>Years</u>	<u>Classification</u>
15 - 30	Buildings
3 - 7	Furniture and fixtures
5 - 15	Maintenance equipment
3 - 20	Drainage system

# NORTH ST. LUCIE RIVER WATER CONTROL DISTRICT

## Notes to Financial Statements

September 30, 2019

### Property Taxes

The District's taxpayer assessment revenue is levied through St. Lucie County based on the approved budget submitted to the County by the District on or before June 1 of each tax year. The assessment, included in the County's property tax levy, begins each November 1, becomes a lien on the first day of the levy year, and is due on or before March 31.

### Compensated Absences

The District has a personal day policy which states that the personal days allowed each fiscal year are required to be used prior to the end of the fiscal year. Personal days are not accrued at September 30, 2019.

### Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### Fund Balance Reporting and Governmental Fund Type Definitions

In accordance with GASB 54, the District is required to report fund balance amount in five classifications - nonspendable and the spendable categories of restricted, committed, assigned, and unassigned, as follows:

Nonspendable - amounts that cannot be spent either because they are not in spendable form or because of legal or contractual requirements. The District had a nonspendable fund balance of \$18,432 in the General Fund.

Restricted - amounts that are constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments. The District had no restricted fund balance at September 30, 2019.

Committed - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action by the District's highest level of decision-making authority. The District's Board addresses these commitments through formal board action prior to the District's fiscal year end. The District had no committed fund balance at September 30, 2019.

Assigned - amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Assignments can be made by the Board. The District had no assigned fund balance at September 30, 2019.

# NORTH ST. LUCIE RIVER WATER CONTROL DISTRICT

## Notes to Financial Statements

September 30, 2019

Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balances may also include negative fund balances for any other governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes. The District had an unassigned fund balance of \$553,557.

The District spends restricted amounts first when both restricted and unrestricted fund balances are available, unless there are legal documents/contracts that prohibit doing this. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts.

The District does not have a formal minimum fund balance policy, nor has it established any stabilization arrangements within the fund balance.

### NOTE B – CASH AND CASH EQUIVALENTS

Florida Statutes require state and local governmental units to deposit monies with financial institutions classified as "Qualified Public Depositories," a multiple financial institution pool whereby groups of securities pledged by the various financial institutions provide common collateral from their deposits of public funds. This pool is provided as additional insurance to the federal depository insurance and allows for additional assessments against the member institutions, providing full insurance for public deposits. The District had deposits only with qualifying institutions as of September 30, 2019, or with banks in which depository insurance was sufficient to cover the deposit balance. The District's total bank deposits (demand deposit and money market accounts) had a financial institution balance of \$598,942 and a carrying amount of \$542,229 at September 30, 2019.

The District does not have a written investment policy. Accordingly, per the Florida Statutes, the District can invest surplus funds in the following negotiable direct or indirect obligations which are secured by the United States Government: the Local Government Surplus Funds Trust as created by Florida Statute 218.045, interest bearing time deposits in savings accounts in authorized financial institutions or obligations guaranteed by the Government National Mortgage association of similarly structured and secured associations or corporations.

All cash and money market funds are fully insured through the FDIC and the multiple financial institutions collateral pool established by Chapter 280, Florida Statutes.

Cash and cash equivalents at September 30, 2019

Non-interest bearing checking - overdraft

\$ (46,797)

Interest bearing money market funds

589,026

\$ 542,229



# NORTH ST. LUCIE RIVER WATER CONTROL DISTRICT

Notes to Financial Statements

September 30, 2019

## NOTE C - CAPITAL ASSETS

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

	2018	Increases	Decreases	2019
Capital assets, not being depreciated:				
Land	\$ 222,603	\$ -	\$ -	\$ 222,603
Capital assets being depreciated:				
Buildings	275,287	-	-	275,287
Furniture and fixtures	6,005	-	-	6,005
Maintenance equipment	53,042	-	-	53,042
Drainage system	6,150,446	395,643	-	6,546,089
	<u>6,484,780</u>	<u>395,643</u>	<u>-</u>	<u>6,880,423</u>
Less accumulated depreciation for:				
Buildings	102,744	9,670	-	112,414
Furniture and fixtures	5,004	-	-	5,004
Maintenance equipment	53,042	915	-	53,957
Drainage system	5,455,778	74,960	-	5,530,738
	<u>5,616,568</u>	<u>85,545</u>	<u>-</u>	<u>5,702,113</u>
Total capital assets being depreciated, net	<u>868,212</u>	<u>310,098</u>	<u>-</u>	<u>1,178,310</u>
Capital assets, net	<u>\$1,090,815</u>	<u>\$ 310,098</u>	<u>\$ -</u>	<u>\$ 1,400,913</u>
Depreciation was charged to functions as follows:				
Water control		<u>\$ 85,545</u>		

## NOTE D – PENSION PLANS

### *Defined Benefit Plans*

The District participated in two defined benefit pension plans that are administered by the State of Florida, Department of Management Services, Division of Retirement. The plans provide retirement, disability, or death benefits to retirees or their designated beneficiaries and provides assistance to retirees in paying for their health insurance costs. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report may be obtained by writing to the Division of Retirement, PO Box 9000, Tallahassee, Florida, 32315-9000 or by calling (850) 488-6491.

# NORTH ST. LUCIE RIVER WATER CONTROL DISTRICT

Notes to Financial Statements

September 30, 2019

## Pension Plans – continued

The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multiple-employer qualified defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state community college, or district school board, unless restricted from FRS membership under Sections 121.053 and 121.122, Florida Statutes, or allowed to participate in a defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying for their health insurance costs. To be eligible to receive an HIS benefit, a retiree under one of the state administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

### Benefits Provided

FRS members are eligible for retirement after vesting, which occurs at 6 years (8 years after July 1, 2011) of creditable service for regular members. Normal retirement age is attained at the earlier of 30 years of creditable service regardless of age or retirement at age 62 with at least 6 years of creditable service. Early retirement may be taken anytime; however, there is a 5 percent benefit reduction for each year prior to normal retirement age. Members are also eligible for in-line-of duty or regular disability benefits if permanently disabled and unable to work. Benefits are computed on the basis of age, average final compensation and service credit.

Eligible retirees and beneficiaries receive monthly HIS payments equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to Section 112.363, Florida Statutes.

### Contributions

The District is required to contribute at an actuarially determined rate. The contribution requirements of plan members and the District are established and may be amended by the Florida Legislature. Employees are required to contribute 3% of their salary to the FRS. The District's contribution rates for the year ended September 30, 2019, were as follows:

	<u>FRS</u>	<u>HIS</u>	<u>Total</u>
Regular Employees	6.60%-6.81%	1.66%	8.26%-8.47%

# NORTH ST. LUCIE RIVER WATER CONTROL DISTRICT

## Notes to Financial Statements

September 30, 2019

### Pension Plans – continued

The District's contributions for the year ended September 30, 2019 were \$7,684 to the FRS and \$1,917 to the HIS.

#### Pension Liabilities and Pension Expense

At September 30, 2019, the District reported a liability for its proportionate shares of the net pension liabilities. The net pension liability for the FRS Pension Plan was measured as of July 1, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated July 1, 2019. The HIS valuation was prepared as of July 1, 2019. The District's proportions of the net pension liabilities were based on the District's share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

	<u>FRS</u>	<u>HIS</u>	<u>Total</u>
Net pension liability at September 30, 2019	\$ 83,336	38,377	121,713
Proportion at:			
September 30, 2018	0.00000240387	0.00000339894	
September 30, 3019	0.00000241985	0.00000342991	
Pension expense, year ended			
September 30, 2019	\$ 19,606	3,192	22,798

#### Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>FRS</u>		<u>HIS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,943	(52)	466	(47)
Changes of assumptions	21,404	-	4,444	(3,137)
Net difference between projected and actual on pension plan investments	-	(4,611)	25	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	860	(843)	1,484	(467)
Contributions subsequent to the measurement date	1,949	-	479	-
Total	\$ <u>29,156</u>	<u>(5,506)</u>	<u>6,898</u>	<u>(3,651)</u>

# NORTH ST. LUCIE RIVER WATER CONTROL DISTRICT

## Notes to Financial Statements

September 30, 2019

### Pension Plans – continued

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized as follows:

Year ending September 30,	<u>FRS</u> <u>Expense</u>	<u>HIS</u> <u>Expense</u>
2020	\$ 7,574	\$ 995
2021	2,345	818
2022	5,788	576
2023	4,477	(139)
2024	1,219	171
Thereafter	297	347
Total	<u>\$ 21,700</u>	<u>\$ 2,768</u>

### Actuarial Assumptions

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation as of July 1, 2019, using the entry age normal actuarial cost method and the following significant actuarial assumptions:

	<u>FRS</u>	<u>HIS</u>
Inflation	2.60%	2.60%
Payroll growth	3.25%	3.25%
Investment rate of return	6.90%	N/A

Mortality assumptions for both plans were based on the Generational RP-2000 with Projections Scale BB tables.

Actuarial assumptions for both cost-sharing defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent actuarial valuation for the HIS Program was July 1, 2018. The most recent experience study for the FRS Pension Plan was completed in 2019 for the period July 1, 2013, through June 30, 2018. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for this program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

# NORTH ST. LUCIE RIVER WATER CONTROL DISTRICT

## Notes to Financial Statements

September 30, 2019

### Pension Plans - continued

The following changes in actuarial assumptions occurred in 2019:

FRS: The long-term expected investment rate of return decreased from 7.00% to 6.90%.

HIS: The municipal rate used to determine the total pension liability decreased from 3.87% to 3.50%.

To develop an analytical basis for the selection of the long-term expected rate of return assumption, the FRS Actuarial Assumptions Conference reviewed long-term assumptions developed by both the FRS actuary's capital market assumptions team and by a capital market assumptions team from consultants to the State Board of Administration. The table below summarizes the key assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes below.

The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. For the FRS Pension Plan, the reduced investment return assumption of 6.9%, which was adopted by the Florida Retirement System Actuarial Assumption Conference, conflicts with the consulting actuary's judgment of a reasonable assumption as defined by Actuarial Standards of Practice No. 27.

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return
Cash	1.0%	3.3%	3.3%
Fixed income	18.0%	4.1%	4.1%
Global equity	54.0%	8.0%	6.8%
Real estate (property)	11.0%	6.7%	6.1%
Private equity	10.0%	11.2%	8.4%
Strategic investments	6.0%	5.9%	5.7%
	<u>100.0%</u>		
Assumed inflation rate			2.6%

The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption.



# NORTH ST. LUCIE RIVER WATER CONTROL DISTRICT

Notes to Financial Statements

September 30, 2019

## Pension Plans – continued

### Discount rate

The discount rate used to measure the total pension liability for FRS was 6.9%. FRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.50% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

### Sensitivity Analysis

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the District's proportionate share of the net pension liability if the discount rate was 1% higher or 1% lower than the current discount rate.

	FRS			HIS		
	Current Discount			Current Discount		
	1% Decrease (5.90%)	Rate (6.90%)	1% Increase (7.90%)	1% Decrease (2.50%)	Rate (3.50%)	1% Increase (4.50%)
District's proportionate share of the net pension liability	\$144,061	\$83,336	\$ 32,621	\$43,810	\$38,377	\$33,853

### Pension Plans' Fiduciary Net Position

Detailed information about the pension plans' fiduciary net position is available in the State's separately issued financial reports.

### Payables to the Pension Plans

As of September 30, 2019, the District did not have an outstanding payable to the plans for regular employee and employer contributions that were legally required to be paid to the plans but not remitted prior to the end of the year.

## NOTE E - COMMITMENTS AND CONTINGENCIES

During the normal course of operation, the District is subject to various claims and lawsuits. It is the practice of the District to vigorously contest claims and lawsuits. In the opinion of the District's management and the District's attorney, these claims will not materially affect the financial statements.

# **NORTH ST. LUCIE RIVER WATER CONTROL DISTRICT**

Notes to Financial Statements

September 30, 2019

## **NOTE F - RISK MANAGEMENT**

Losses relating to employee health and benefits, property and liability, and workers' compensation are insured by the Preferred Governmental Insurance Trust.

The District has had no significant reductions in insurance coverage in the fiscal year ended September 30, 2019. No settlements have exceeded the District's insurance coverage for each of the past three fiscal years.

## **NOTE G – NEW ACCOUNTING STANDARDS**

The Governmental Accounting Standards Board (GASB) issued several pronouncements that are effective for these financial statements. These are:

GASB Statement 75 – Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (Employers)

GASB Statement 83 – Asset Retirement Disclosures

GASB Statement 85 – Omnibus

GASB Statement 86 – Certain Debt Extinguishment Issues

GASB Statement 88 – Certain Debt Disclosures

The District has reviewed each statement and determined that none of these pronouncements have any discernable impact on these financial statements.

## **NOTE H - SUBSEQUENT EVENTS**

Management has evaluated events and transactions for potential recognition or disclosure through February 25, 2020, the date upon which the financial statements were available to be issued.

**NORTH ST. LUCIE RIVER WATER CONTROL DISTRICT**

Budgetary Comparison Schedule

General Fund

For the year ended September 30, 2019

	<u>Budget</u>		Variance
	<u>Original &amp; Final</u>	<u>Actual</u>	Positive (Negative)
<b>Revenues</b>			
Maintenance taxes	\$ 1,080,684	1,063,246	\$ (17,438)
Federal grant	300,000	276,618	(23,382)
Permits, service fees and other income	127,000	145,152	18,152
Investment income	1,500	1,877	377
<b>Total revenues</b>	<u>1,509,184</u>	<u>1,486,893</u>	<u>(22,291)</u>
<b>Expenditures</b>			
<b>Current:</b>			
<b>Water control and canal maintenance:</b>			
Canal maintenance	618,000	440,711	177,289
Engineering	250,000	222,899	27,101
Superintendent salary	64,250	64,250	-
Pumping stations	60,250	2,526	57,724
Employee benefits	23,200	26,733	(3,533)
Water analysis and use permit	10,000	5,946	4,054
Miscellaneous	10,000	5,421	4,579
Fuel	7,000	5,395	1,605
Taxes - payroll	6,975	4,915	2,060
Equipment repairs	3,000	467	2,533
Small tools	2,000	42	1,958
Shop materials	1,250	715	535
<b>Total water control and canal maintenance</b>	<u>1,055,925</u>	<u>780,020</u>	<u>275,905</u>
<b>Administrative:</b>			
Legal, accounting and professional	57,000	57,500	(500)
Secretarial salary	51,250	51,250	-
Employee benefits	23,200	26,732	(3,532)
Insurance	18,000	21,992	(3,992)
Grounds and building maintenance	18,000	12,343	5,657
Property appraiser commission	11,000	10,740	260
Tax collector commission	11,000	10,710	290
Telephone and utilities	7,000	6,657	343
Taxes - payroll	5,563	3,920	1,643
Dues	2,750	2,675	75
Office equipment	2,000	1,327	673
Office	2,000	1,480	520
Travel and meetings	2,000	1,250	750
Surveys and maps	2,000	-	2,000
<b>Total administrative</b>	<u>212,763</u>	<u>208,576</u>	<u>4,187</u>
Capital outlay	-	395,643	(395,643)
<b>Total expenditures</b>	<u>1,268,688</u>	<u>1,384,239</u>	<u>(115,551)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>240,496</u>	<u>102,654</u>	<u>(137,842)</u>
<b>Fund balance</b>			
Beginning of year	<u>920,233</u>	<u>469,335</u>	
End of year	<u>\$ 1,160,729</u>	<u>571,989</u>	

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

**NORTH ST. LUCIE RIVER WATER CONTROL DISTRICT**  
**Schedule of Proportionate Share of Net Pension Liability**  
**Florida Retirement System**  
**Last Ten Fiscal Years\***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.000241985%	0.000240387%	0.000235585%	0.000238753%	0.000244574%	0.000245366%
District's proportionate share of the net pension liability \$	83,336 \$	72,406 \$	69,685 \$	60,285 \$	31,590	14,971
District's covered-employee payroll \$	115,500 \$	112,350 \$	107,000 \$	105,190 \$	99,048	98,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.15%	64.45%	65.13%	57.31%	31.89%	15.28%
Plan fiduciary net position as a percentage of the total pension liability	82.61%	84.27%	83.89%	84.88%	92.00%	96.09%

**Health Insurance Subsidy Program**  
**Last Ten Fiscal Years\***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.000342991%	0.000339894%	0.000332710%	0.000339151%	0.000323807%	0.000327320%
District's proportionate share of the net pension liability \$	38,377 \$	35,975 \$	35,575 \$	39,527 \$	33,023	30,605
District's covered-employee payroll \$	115,500 \$	112,350 \$	107,000 \$	105,190 \$	99,048	98,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	33.23%	32.02%	33.25%	37.58%	33.34%	31.23%
Plan fiduciary net position as a percentage of the total pension liability	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

*Data prior to 2014 is unavailable*

*\* The amounts presented for each fiscal year were determined as of 6/30*

**NORTH ST. LUCIE RIVER WATER CONTROL DISTRICT**  
**Schedule of Pension Contributions**  
**Florida Retirement System**  
**Last Ten Fiscal Years\***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 7,684	\$ 7,104	\$ 6,335	\$ 5,932	\$ 5,607	5,732
Contributions in relation to the contractually required contribution	<u>(7,684)</u>	<u>(7,104)</u>	<u>(6,335)</u>	<u>(5,932)</u>	<u>(5,607)</u>	<u>(5,732)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
District's covered-employee payroll	115,500	\$ 112,350	\$ 107,000	\$ 105,190	\$ 99,048	98,000
Contributions as a percentage of covered-employee payroll	6.65%	6.32%	5.92%	5.64%	5.66%	5.85%

**Health Insurance Subsidy Program**  
**Last Ten Fiscal Years\***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 1,917	\$ 1,889	\$ 1,818	\$ 1,772	\$ 1,665	1,082
Contributions in relation to the contractually required contribution	<u>(1,917)</u>	<u>(1,889)</u>	<u>(1,818)</u>	<u>(1,772)</u>	<u>(1,665)</u>	<u>(1,082)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
District's covered-employee payroll	\$ 115,500	\$ 112,350	\$ 107,000	\$ 105,190	\$ 99,048	98,000
Contributions as a percentage of covered-employee payroll	1.66%	1.68%	1.70%	1.68%	1.68%	1.10%

*Data prior to 2014 is unavailable*

*\* The amounts presented for each fiscal year were determined as of 6/30*



**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**

To the Board of Supervisors  
North St. Lucie River Water Control District  
Ft. Pierce, Florida

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 governmental activities and the major fund of the North St. Lucie River 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 February 25, 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 District'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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material

weaknesses or significant weaknesses 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. However, material weaknesses may exist that have not been identified. We did identify one deficiency in internal control, described in Comments No. ML 2019-1 on page 30, that we consider to be a significant deficiency.

### **Compliance and Other Matters**

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

### **Response to Findings**

The District's response to the finding identified in our audit is described on page 32 of this report. The District's response was not subjected to the auditing procedures applied to 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 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.



McAlpin, Cavalcanti & Lewis, CPA  
Ft. Pierce, Florida  
February 25, 2020



**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH  
FLORIDA STATUTES 218.415 – INVESTMENTS OF PUBLIC FUNDS**

The Board of Supervisors  
North St. Lucie River Water Control District  
Fort Pierce, Florida

We have examined the North St. Lucie River Water Control District's (the "District") compliance with 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 and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the North St. Lucie River Water Control District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2019.

This report is intended solely for the information and use of the Florida Auditor General, the Board of Supervisors of the North St. Lucie River Water Control District, and management and is not intended to be and should not be used by anyone other than these specified parties.



McAlpin Cavalcanti & Lewis CPA  
Ft Pierce, Florida  
February 25, 2020

MANAGEMENT LETTER

The Board of Supervisors  
North St. Lucie River Water Control District  
Fort Pierce, Florida

We have audited the financial statements of the North St. Lucie River Water Control District (the "District"), as of and for the year ended September 30, 2019, and have issued our report thereon dated February 25, 2020.

As a part of our audit, we made a review of financial management and accounting procedures and a review to determine whether operations were properly conducted in accordance with legal and regulatory requirements. We also considered the District's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements.

Our audit was conducted in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

The following condition discovered within the scope of the audit is presented for your consideration:

ML 2019-1 Lack of Segregation of Duties

The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the District implement a system to review and reconcile financial transactions on a regular basis and the Board of Supervisors remain involved in the financial affairs of the District to provide oversight and independent review functions.

We bring this condition to your attention in accordance with professional standards, but we recognize that it requires your staff assessment of a cost-effective solution. Alternative solutions might include training accounting staff or hiring additional staff.

Status of Prior Year Comments

See current year comment 2019-1 on the lack of segregation of duties which has been reported in the prior two audit reports. The prior year comment 2018-1 regarding Improve Knowledge of Internal Control over Financial Reporting has been resolved through engagement of an outside CPA with the skills, knowledge and experience to prepare the financial statements.



## OTHER MATTERS

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the contents of this "management letter" and stipulate that it specifically address certain conditions discovered within the scope of the audit.

The following representations and comments are made in order to comply with these requirements.

## SPECIFIC LEGAL AUTHORITY

The North St. Lucie River Water Control District was created under the authority of Chapter 57 1789, Laws of Florida, Circuit Court Decree 1917.

## FINANCIAL CONDITION

Based on our audit procedures performed, we determined that the District did not meet any of the conditions described in Florida Statutes Section 218.503(1).

## FINANCIAL CONDITION ASSESSMENT PROCEDURES

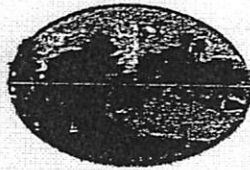
The auditors performed financial condition assessment procedures per Auditor General Rule 10.556(8). It is management's responsibility to monitor the District's financial position and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

We wish to take this opportunity to thank you for the cooperation and courtesies extended to us during the course of our audit. We have enjoyed our association with you and look forward to a continuing relationship.

This report is intended solely for the information and use of the Florida Auditor General, the Board of Supervisors of the North St. Lucie River Water Control District, and management and is not intended to be and should not be used by anyone other than these specified parties.



McAlpin Cavalcanti & Lewis, CPA  
Ft Pierce, Florida  
February 25, 2020



## North St. Lucie River Water Control District

14666 Orange Avenue  
Fort Pierce, Florida 34945

February 25, 2020

McAlpin Cavalcanti & Lewis, CPA  
511 North Indian River Drive  
Fort Pierce, FL 34950

Re: Response to Management Letter

Dear Sirs:

The following is the District's response to the conditions listed in the management letter on page 30 of the audited financial statements of North St Lucie River Water Control District as of and for the year ended September 30, 2019:

### **Lack of Segregation of Duties**

The office of the District is comprised of one general office person and one superintendent of works. The Board of Supervisors recognizes that the size of the District's accounting and administrative staff precludes optimum segregation of duties and has therefore adopted rules and procedures for the conduct of the District operations. The Board of Supervisors considers these rules and procedures as followed by all employees an integral part of the internal control structure of the District.

Signature

PRESIDENT

Title