

LAKE SOIL AND WATER CONSERVATION DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2021

**LAKE SOIL AND WATER CONSERVATION DISTRICT
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FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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INDEPENDENT AUDITORS' REPORT

Board of Supervisors and Management of
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, 2021, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2021, and the respective changes in financial position and the budgetary comparison for the General Fund 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 (pages 3-6); budget to actual comparison for the general fund (page 22); and the schedules of the District's proportionate share of the net pension liability and contributions (pages 23-24), 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 07, 2022, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Hamilton & Associates CPA, LLC

Brandon, Florida
June 07, 2022

**LAKE SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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, 2021.

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."

The District's primary operating function is to administer the Mobile Irrigation Lab (MIL) program throughout Lake County, Florida. The MIL program involves conducting extensive irrigation system evaluations, measuring flow rates and pressures, testing water quality, and analyzing water management strategies. The information gathered is used to make recommendations for improvements to the system for water conservation and the health of agriculture. Physical improvements that can increase the efficiency of the irrigation system are detailed, as well as scheduling and water management recommendations.

The Florida Department of Agriculture and Consumer Services (FDACS) administers programs assigned to it by the Florida Legislature under the Soil and Water Conservation Law, Chapter 582 Florida Statutes. The District coordinates FDACS Best Management Plan Implementation, cost share programs, mobile irrigation labs, and public land management. The District's primary source of funding consists of grant funds received through its contract with FDACS, to administer the MIL program.

Financial Highlights

The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources as of September 30, 2021, by \$59,394 (net position). Of this, \$9,809 represents the District's investment in capital assets, and the remaining \$49,585 of this amount may be used to meet the government's ongoing operating obligations.

The government's total net position decreased by \$8,594 for the fiscal year ended September 30, 2021, and \$3,025 for the fiscal year ended September 30, 2020.

Overview of the Financial Statements

The basic financial statements consist of the government-wide financial statements, fund financial statements, and notes to the financial statements. The report also contains other supplementary information in addition to the basic 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.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The government-wide statements include all of the District's assets and liabilities, and use the accrual basis of accounting, which provides for recording revenues when earned and expenses with a liability is incurred, regardless of the timing of related cash flows. The government-wide financial statements include the Statement of Net Position and Statement of Activities.

The Statement of Net Position is used to report the District's assets, liabilities, deferred outflows, and deferred inflows of resources. The District's assets include financial resources such as cash and amounts

**LAKE SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Overview of the Financial Statements - continued

due from other governments. The District's liabilities include a refundable advance incurred in connection with the District's operating grant, and net pension liability. Deferred outflows and inflows of resources relate to the District's share of the Florida Retirement System Pension Plan (see Note 5 to the financial statements for more information on the Plan).

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as the underlying event occurs, regardless of the timing of 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 (e.g. refundable advances).

Fund Financial Statements

For financial reporting purposes, the District is considered a special-purpose government engaged in a single governmental program, thus the Fund Financial statements consist of one fund, the General Fund. 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, like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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.

The District's governmental fund financial statements include the Balance Sheet, and Statement of Revenues, Expenditures, and Changes in Fund Balance. The governmental fund balance sheet reports only the financial assets associated with governmental activities. Financial assets include cash and other assets that will convert to cash in the short-term, such as receivables. Governmental funds do not report capital assets, such as property and equipment, because such assets will be used in operations rather than converted to cash and are therefore non-spendable. Liabilities are also recognized in governmental funds only to the extent they are expected to affect a government's near-term financing needs. The difference between asset and liabilities in a governmental fund is known as the fund balance. This amount represents the balance of financial resources available for appropriation at the end of the current fiscal period.

The Statement of Revenues, Expenditures, and Changes in Fund Balance is used to report all transactions, events, and interfund activity that increase or decrease fund balances. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and government-wide activities.

Notes to Financial Statements

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.

**LAKE SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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 and deferred outflows exceeded liabilities and deferred inflows by \$59,394. Investment in capital assets represents 16.5% of net position and, thus, is not available for future spending. The balance in unrestricted net position of \$49,585 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, 2021.

Net capital assets decreased by \$7,256 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>2021</u>	<u>2020</u>
ASSETS		
Current assets	\$ 182,074	\$ 203,758
Capital assets, net	<u>9,809</u>	<u>17,065</u>
Total Assets	191,883	220,823
Deferred outflows of resources	<u>96,642</u>	<u>-</u>
	<u><u>\$ 288,525</u></u>	<u><u>\$ 220,823</u></u>
LIABILITIES		
Unearned revenue	125,675	152,835
Net pension liability	<u>52,818</u>	<u>-</u>
	178,493	152,835
Deferred inflows of resources	<u>50,638</u>	<u>-</u>
	<u><u>\$ 229,131</u></u>	<u><u>\$ 152,835</u></u>
NET POSITION		
Investment in capital assets	9,809	17,065
Unrestricted	<u>49,585</u>	<u>50,923</u>
Total Net Position	<u><u>\$ 59,394</u></u>	<u><u>\$ 67,988</u></u>

Assets of the District primarily consist of cash of \$113,876 and grant receivables of \$66,781 as of September 30, 2021. Liabilities consist of an advance of \$125,675 from the Mobile Irrigation Lab contract. Net pension liability, deferred outflows, and deferred inflows relate to the District's share of the Florida Retirement System Pension Plan. The District enrolled and began contributing to the plan during the 2021 fiscal year.

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
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Financial Analysis - continued

Lake Soil and Water Conservation District Statement of Activities

	2021	2020
Revenues	\$ 302,144	\$ 274,280
Expenses	310,738	277,305
Change in net position	\$ (8,594)	\$ (3,025)

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 the fiscal year 2021, unassigned and total fund balance was \$56,399. As a measure of liquidity, the fund balance represents 18% of total current-year expenditures. The General Fund balance increased by \$5,476 during the fiscal year ended 2021.

Capital Assets

The District's investment in capital assets for its governmental activities as of September 30, 2021, amounts to \$9,809 (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 due to depreciation expense. The following table displays the District's capital assets.

Governmental Activities Capital Assets

	2021	2020
Equipment	\$ 14,598	\$ 14,598
Vehicles	37,743	37,743
	52,341	52,341
Less accumulated depreciation	(42,532)	(35,276)
Capital assets, net	\$ 9,809	\$ 17,065

Additional information on the District's capital assets can be found in Note 3 of the Notes to the Financial Statements section of this report.

Economic Factors

1. The average unemployment rate of the Lake County area at September 30, 2021 is 4.3%. This is compared to 4.0% for the state and 4.7% for the nation.

2. At September 30, 2021, inflation nationally, as indicated by the Consumer Price Index was 5.4%.

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, 1302 S Duncan Dr. Building E, Tavares, FL 32778.

LAKE SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2021

Assets	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 113,876
Due from other governments	66,781
Certificates of deposit	1,417
Capital assets, net	9,809
Total Assets	<u>191,883</u>
Deferred Outflows of Resources	
Deferred amount on pensions	96,642
Total Assets and Deferred Outflows of Resources	<u>\$ 288,525</u>
Liabilities	
Unearned grant revenue - Mobile Irrigation Lab	\$ 125,675
Net Pension Liability	<u>52,818</u>
Total Liabilities	178,493
Deferred Inflows of Resources	
Deferred amount on pensions	50,638
Total Liabilities and Deferred Inflows of Resources	<u>\$ 229,131</u>
Net Position:	
Invested in capital assets	9,809
Unrestricted	<u>49,585</u>
Total Net Position	<u>\$ 59,394</u>

**LAKE SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Functions / Programs	Expenses	Operating Grants and Contributions	Net (Expense) Revenue & Changes in Net Assets
Governmental Activities:			
Conservation - MIL Program	\$ 288,130	\$ 302,144	\$ 14,014
Total Government Activities	\$ 288,130	\$ 302,144	\$ 14,014
General Expenses:			
General government			22,608
Change in Net Position			(8,594)
Net Position - Beginning of Year			67,988
Net Position - End of Year			\$ 59,394

**LAKE SOIL AND WATER CONSERVATION DISTRICT
BALANCE SHEET - GENERAL FUND
AS OF SEPTEMBER 30, 2021**

	General Fund
Assets	
Cash and cash equivalents	\$ 113,876
Due from other governments	66,781
Certificates of deposit	1,417
Total Assets	\$ 182,074
Liabilities	
Unearned grant revenue - Mobile Irrigation Lab	\$ 125,675
Fund Balances	
Unassigned	56,399
Total Fund Balance	56,399
Total Liabilities & Fund Balance	\$ 182,074

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances governmental funds	\$ 56,399
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. (excludes internal service funds)	9,809
Deferred outflows of resources are reported as a result of changes in deferred amounts on pensions in the statement of net position	96,642
Net pension liability is not payable in the current period and therefore is not reported in the governmental fund	(52,818)
Deferred inflows of resources are reported as a result of changes in deferred amounts on pensions in the statement of net position	(50,638)
Net Position of Governmental Activities	\$ 59,394

**LAKE SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	General Fund
Revenues	
Intergovernmental	\$ 301,212
Miscellaneous	932
Total Revenues	302,144
Expenditures / Expenses	
Current:	
General Government	11,458
Conservation	285,210
Total Expenditures	296,668
Net Change in Fund Balance	5,476
Fund Balance - Beginning of Year	50,923
Fund Balance - End of Year	\$ 56,399

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GENERAL FUND TO THE
STATEMENT OF ACTIVITIES**

Net Change in Fund Balance - General Fund	\$	5,476
<p>Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance because:</p>		
Depreciation on capital assets is not recognized in the governmental fund financial statements, but is reported as an expense in the statement of activities.		(7,256)
Net change in the net pension related outflows/inflows and net liability		(6,814)
Net Position of Governmental Activities	\$	(8,594)

**LAKE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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 in 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 has only 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.

Governmental fund financial statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become 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 sixty days of the end of the current fiscal year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

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.

**LAKE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets, Liabilities, and Net Position - continued

State statutes allow 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, 2021. These payments are recorded as expenditures or expenses when consumed rather than when purchased.
- 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) *Deferred Outflows / Inflows of Resources* – in addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows represents a consumption of net position that applies to a future period. The District reports deferred outflows related to various actuarial assumption changes and valuations from the District's share of the Florida Retirement System Pension Plan and Retiree Health Insurance Subsidy Program (refer to Note 5 for more on the FRS Pension Plans).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows represent an acquisition of net position that applies to a future period. The District reports deferred inflows from its share of the FRS Pension Plans.

**LAKE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

7) *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.

Date of Management’s Review

Management has evaluated subsequent events through June 07, 2022, the date on which the financial statements were available to be issued, and found no significant events requiring disclosure.

NOTE 2 – BUDGETS

The District’s Board of Supervisors 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 at the fund level.

NOTE 3 – CAPITAL ASSETS

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

	Balance <u>9/30/2020</u>	Additions	Deletions	Balance <u>9/30/2021</u>
Equipment	\$ 14,598	\$ -	\$ -	\$ 14,598
Vehicles	37,743	-	-	37,743
Less: Accumulated depreciation	(35,276)	(7,256)	-	(42,532)
Total capital assets, net	<u>\$ 17,065</u>	<u>\$ (7,256)</u>	<u>\$ -</u>	<u>\$ 9,809</u>

NOTE 4 – ECONOMIC DEPENDENCY

The District derived 99.7% of its revenue from the FDACS grant to administer the MIL program. In addition, 92.7% of the District’s expenses were related to this grant.

NOTE 5 – MULTI-EMPLOYER DEFINED BENEFIT RETIREMENT PLAN

General Information about the Florida Retirement System

Beginning in the fiscal year ending September 30, 2021, the District’s employees participate in the Florida Retirement System (FRS). The FRS was created by Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution pension plan in the FRS Investment Plan. Chapter 112, Florida Statutes established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit

**LAKE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 5 – MULTI-EMPLOYER DEFINED BENEFIT RETIREMENT PLAN - Continued

General Information about the Florida Retirement System - continued

pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the District are eligible to enroll as members of the State-administered FRS. Provisions related to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238 Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other non-integrated programs.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the website:

https://www.dms.myflorida.com/workforce_operations/retirement/publications/annual_reports.

The District's total pension expense for the year ended September 30, 2021 was \$18,432.

FRS Pension Plan

Description

The FRS Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with DROP for eligible employees. The general classes of membership are as follows:

- *Regular Class* – members of the FRS who do not qualify for membership in the other classes
- *Senior Management Service Class (SMSC)* – members in senior management level positions
- *Special Risk Class* – members who are special risk employees, such as law enforcement officers, meet the criteria for this class

All members enrolled in the FRS Plan after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. The FRS Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The FRS Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

The DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the FRS Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the DROP participation deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

**LAKE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 5 – MULTI-EMPLOYER DEFINED BENEFIT RETIREMENT PLAN - Continued

Benefits Provided

Benefits under the FRS Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members enrolled after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits.

The following chart shows the percentage value for each year of service credit earned:

Regular Class members initially enrolled after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60%
Retirement up to age 66 or up to 34 years of service	1.63%
Retirement up to age 67 or up to 35 years of service	1.65%
Retirement up to age 68 or up to 36 years of service	1.68%
Elected District Officers	3.00%
Senior Management Service Class	2.00%
Special Risk Regular	
Service from December 1, 1970, through September 30, 1974	2.00%
Service on and after October 1, 1974	3.00%

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled after July 1, 2011, there will not be a cost-of-living adjustment after retirement.

Contributions

The Florida Legislature establishes contribution rates for participating employers and employees. Effective July 1, 2011, all FRS Plan members (except those in DROP) are required to make 3% employee contributions on a pre-tax basis. The contribution rates effective during the 2020-21 fiscal year were as follows:

- Regular employees 8.28%
- Senior Management Service 25.57%
- FRS, DROP 15.32%

The District's contributions, including employee contributions to the FRS Plan totaled \$9,259 for the fiscal year-ended September 30, 2021.

**LAKE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 5 – MULTI-EMPLOYER DEFINED BENEFIT RETIREMENT PLAN - Continued

FRS Plan Costs and Deferred Outflows / Inflows of Resources

At September 30, 2021, the District reported a liability of \$14,052 for its proportionate share of the FRS Plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The District's proportionate share of the net pension liability was based on the District's contributions received by FRS during the measurement period for employer payroll paid dates through June 30, 2021, relative to the total employer contributions received from all participating employers. At June 30, 2021, the District's proportionate share was 0.000186%.

For the fiscal year-ended September 30, 2021, the District recognized pension expense of \$10,196. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,409	\$ -
Changes in assumptions	9,615	-
Net difference between projected and earnings on pension plan investments	-	49,025
Changes in employer's proportion	47,944	-
Contributions subsequent	2,172	-
	<u>\$ 62,140</u>	<u>\$ 49,025</u>

The deferred outflows of resources related to the Pension Plan, totaling \$2,172 resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2022	\$ 1,927
2023	2,247
2024	2,977
2025	3,815
2026	(23)
	<u>\$ 10,943</u>

**LAKE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 5 – MULTI-EMPLOYER DEFINED BENEFIT RETIREMENT PLAN - Continued

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases, including inflation	3.25%
Investment rate of return, net of pension plan investment expense, including inflation	6.80%

Mortality rates are based on the Generational RP-2000 with Projection Scale BB tables. The actuarial assumptions used in the July 1, 2021 valuation were based on results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) return	Standard Deviation
Cash	1.00%	2.10%	2.10%	1.10%
Intermediate-Term Bonds	20.00%	3.80%	3.70%	3.30%
Global equity	54.20%	8.20%	6.70%	17.80%
Real estate	10.30%	7.10%	6.20%	13.80%
Private equity	10.80%	11.70%	8.50%	26.40%
Strategic investments	3.70%	5.70%	5.40%	8.40%
Total	<u>100.00%</u>			
Assumed Inflation - Mean			2.40%	1.20%

Discount Rate

The discount rate used to measure the total pension liability was 6.80%. The Pension Plan's 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.

**LAKE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 5 – MULTI-EMPLOYER DEFINED BENEFIT RETIREMENT PLAN - Continued

Sensitivity Analysis

The following represents the District’s proportionate share of the net pension liability calculated using the discount rate of 6.80%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.80%) or one percentage point higher (7.80%) than the current rate:

	1% decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
District's proportionate share of net pension liability	\$ 62,843	\$ 14,052	\$ (26,731)

Detailed information regarding the Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and other State-Administered Systems Comprehensive Annual Financial Report. At September 30, 2021, the District reported no payables for outstanding contributions to the Plan required for the fiscal year ended September 30, 2021.

HIS Plan

Description

The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363 Florida Statutes. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided

For the fiscal year ended September 30, 2021, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum of \$150 per month. To be eligible for to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2021, the HIS contribution rate was 1.66%. the District contributed 100% of its required contributions for the current year. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled. The District’s contributions to the HIS Plan totaled \$2,359 for the year ended September 30, 2021.

**LAKE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 5 – MULTI-EMPLOYER DEFINED BENEFIT RETIREMENT PLAN - Continued

HIS Plan Costs and Deferred Outflows / Inflows of Resources

At September 30, 2021, the District reported a liability of \$38,766 for its proportionate share of the HIS Plan net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The District's proportionate share of the net pension liability was based on the District's contributions to the FRS during the measurement period for employer payroll dates between July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all participating employers. At June 30, 2021, the District's proportionate share was 0.000316%.

For the fiscal year ended September 30, 2021, the District recognized pension expense of \$8,236. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to the HIS Plan from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,297	\$ 16
Changes in assumptions	3,046	1,597
Net difference between projected and earnings on pension plan investments	40	-
Changes in employer's proportion	29,618	-
Contributions subsequent	501	-
	<u>\$ 34,502</u>	<u>\$ 1,613</u>

The deferred outflows of resources related to the Pension Plan, totaling \$761 resulting from District contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2021. Other amounts reported as deferred outflows of resources related to the HIS Plan will be recognized in pension expense as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2022	\$ 9,059
2023	2,886
2024	5,954
2025	7,904
2026	5,911
Therafter	1,175
	<u>\$ 32,889</u>

**LAKE SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 5 – MULTI-EMPLOYER DEFINED BENEFIT RETIREMENT PLAN - Continued

Actuarial Assumptions

The total HIS liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases, including inflation	3.25%
Municipal bond rate	2.16%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables. The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

Discount Rate

The discount rate used to measure the total pension liability was 2.16%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity Analysis

The following represents the District’s proportionate share of the net pension liability calculated using the discount rate of 2.16%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.16%) or one percentage point higher (3.16%) than the current rate:

	1% decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
District's proportionate share of net pension liability	\$ 44,818	\$ 38,766	\$ 33,809

Detailed information regarding the HIS Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and other State-Administered Systems Comprehensive Annual Financial Report. At September 30, 2021, the District reported no payables for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

**LAKE SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 418,916	\$ 418,916	\$ 301,212	\$ (117,704)
Donations	1,100	1,100	932	(168)
Miscellaneous	-	-	-	-
Interest	5	5	-	(5)
Total Revenues	<u>420,021</u>	<u>420,021</u>	<u>302,144</u>	<u>(117,877)</u>
Expenditures				
Current:				
General Government:				
General services	<u>20,706</u>	<u>20,706</u>	<u>11,458</u>	<u>9,248</u>
Conservation:				
Mobile Irrigation Lab	<u>399,315</u>	<u>399,315</u>	<u>285,210</u>	<u>114,105</u>
Total Expenditures	<u>420,021</u>	<u>420,021</u>	<u>296,668</u>	<u>123,353</u>
Net Change in Fund Balance	-	-	5,476	5,476
Fund Balance - Beginning of Year			50,923	50,923
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,399</u>	<u>\$ 56,399</u>

**LAKE SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM PENSION PLAN¹
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

PROPORTIONATE SHARE OF NET PENSION LIABILITY:

	2021
District's proportion of net pension liability	0.00018603%
District's proportionate share of net pension liability	\$ 14,052
District's covered-employee payroll	\$ 156,257
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	8.99%
Plan fiduciary net position as a percentage of the total pension liability	96.40%

SCHEDULE OF DISTRICT CONTRIBUTIONS:

	2021
Contractually required contribution	\$ 9,259
Contributions in relation to the contractually required amount	9,259
Deficiency (excess)	-
District's covered-employee payroll	\$ 156,257
Contributions as a percentage of covered-employee payroll	5.93%

¹ Information is required to be presented for 10 years. The District enrolled in the Plan beginning in the 2021 fiscal year ending September 30, 2021, therefore only information for years available will be presented until a full 10-year trend can be compiled.

**LAKE SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND CONTRIBUTIONS
HEALTH INSURANCE SUBSIDY PLAN¹
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

PROPORTIONATE SHARE OF NET PENSION LIABILITY:

	2021
District's proportion of net pension liability	0.00031603%
District's proportionate share of net pension liability	\$ 38,766
District's covered-employee payroll	\$ 156,257
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	24.81%
Plan fiduciary net position as a percentage of the total pension liability	3.56%

SCHEDULE OF DISTRICT CONTRIBUTIONS:

	2021
Contractually required contribution	\$ 2,359
Contributions in relation to the contractually required amount Deficiency (excess)	2,359 -
District's covered-employee payroll	\$ 156,257
Contributions as a percentage of covered-employee payroll	1.51%

¹ Information is required to be presented for 10 years. The District enrolled in the Plan beginning in the 2021 fiscal year ending September 30, 2021, therefore only information for years available will be presented until a full 10-year trend can be compiled.

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

Board of Supervisors and Management of
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 of the governmental activities and General Fund of Lake Soil and Water Conservation District ("District"), as of and for the fiscal year ended September 30, 2021, 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 07, 2022.

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 opinion 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 2021-01 and 2021-02, that we consider to be significant deficiencies.

2021-01 Financial Reporting

Criteria – An entity's system of internal control over financial reporting should include controls over the prevention, detection, and correction of misstatements in the audited financial statements.

Condition – The District relies on the external auditor to assist with preparing the financial statements and related notes in conformity with generally accepted accounting principles (GAAP).

Effect – Since the auditor cannot be a part of an entity's system of internal controls, the District's system of internal controls over financial reporting is not sufficient, by itself, to prevent, detect, or correct misstatements in the audited financial statements.

Cause – the District has a small staff necessitated by the overall small size of the entity. It is not considered cost effective to develop and maintain a system of internal controls over financial reporting sufficient enough to allow the preparation of financial statements in accordance with GAAP, nor to maintain internal staff with sufficient knowledge to develop and maintain controls to prevent, detect, or correct misstatements in audited financial statements.

Recommendation – the District should consider the effects of the cost and benefits of implementing such a system with the understanding that due to the size of the entity, they will need external assistance with preparation and understanding of financial statements in accordance with GAAP.

Response – The District considers the cost of maintaining a system of internal controls to be prohibitive. The small size of the entity and the one person staff precludes establishing such a system

2021-02 –Accounting Records and Software

Criteria – The use of an accounting system to record transactions allows for the preparation of a trial balance to facilitate the annual audit and preparation of financial statements.

Condition – The District maintains its financial activity in manually prepared reports based off of activity in the District's three bank accounts. Therefore, the District cannot produce a general ledger, trial balance, or facilitate the preparation of financial statements without manually adding up deposits, checks, and electronic payments for the fiscal year. Therefore there are no reconciliation procedures available to prevent and detect errors in the manual creation of financial data.

Effect – The external auditors are relied upon to summarize the monthly financials and create a trial balance based off of the manually prepared reports in order to prepare the financial statements and disclosures in accordance with GAAP.

Cause – the District does not utilize a formal accounting software to record transactions as they occur in order to properly reconcile the bank accounts and provide a trial balance to facilitate the annual audit.

Recommendation – The District should consider acquiring and implementing an accounting software (such as Quickbooks), or consider the cost of utilizing a third-party bookkeeper to prepare accounting entries on periodic basis (monthly, quarterly, or annually).

Response – The District will continue to assess the costs and benefits of implementing such a system, with respect to the size of the entity. The Board actively monitors transactions on a monthly basis and authorized expenditures.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 do not provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performing in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hamilton & Associates CPA, LLC

Brandon, Florida
June 07, 2022

**INDEPENDENT AUDITORS' MANAGEMENT LETTER
 PURSUANT TO THE RULES OF THE AUDITOR GENERAL
 FOR THE STATE OF FLORIDA**

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of Lake Soil and Water Conservation District, Hillsborough County, Florida ("District") as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated June 07, 2022.

Auditor's Responsibility

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

Other Reporting Requirements

We have also issued our 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* and Independent Accountants' Report on an examination conducted in accordance with AICPA *Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated June 07, 2022, 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. There were no 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.

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

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

2021-01 Financial Reporting

Criteria – An entity's system of internal control over financial reporting should include controls over the prevention, detection, and correction of misstatements in the audited financial statements.

Condition – The District relies on the external auditor to assist with preparing the financial statements and related notes in conformity with generally accepted accounting principles (GAAP).

Effect – Since the auditor cannot be a part an entity's system of internal controls, the District's system of internal controls over financial reporting is not sufficient, by itself, to prevent, detect, or correct misstatements in the audited financial statements.

Cause – the District has a small staff necessitated by the overall small size of the entity. It is not considered cost effective to develop and maintain a system of internal controls over financial reporting sufficient enough to allow the preparation of financial statements in accordance with GAAP, nor to maintain internal staff with sufficient knowledge to develop and maintain controls to prevent, detect, or correct misstatements in audited financial statements.

Recommendation – the District should consider the effects of the cost and benefits of implementing such a system with the understanding that due to the size of the entity, they will need external assistance with preparation and understanding of financial statements in accordance with GAAP.

Response – The District considers the cost of maintaining a system of internal controls to be prohibitive. The small size of the entity and the one person staff precludes establishing such a system.

2021-02 –Accounting Records and Software

Criteria – The use of an accounting system to record transactions allows for the preparation of a trial balance to facilitate the annual audit and preparation of financial statements.

Condition – The District maintains its financial activity in manually prepared reports based off of activity in the District's three bank accounts. Therefore, the District cannot produce a general ledger, trial balance, or facilitate the preparation of financial statements without manually adding up deposits, checks, and electronic payments for the fiscal year. Therefore there are no reconciliation procedures available to prevent and detect errors in the manual creation of financial data.

Financial Condition and Management - continued

Effect – The external auditors are relied upon to summarize the monthly financials and create a trial balance based off of the manually prepared reports in order to prepare the financial statements and disclosures in accordance with GAAP.

Cause – the District does not utilize a formal accounting software to record transactions as they occur in order to properly reconcile the bank accounts and provide a trial balance to facilitate the annual audit.

Recommendation – The District should consider acquiring and implementing an accounting software (such as Quickbooks), or consider the cost of utilizing a third-party bookkeeper to prepare accounting entries on periodic basis (monthly, quarterly, or annually).

Response - The District will continue to assess the costs and benefits of implementing such a system, with respect to the size of the entity. The Board actively monitors transactions on a monthly basis and authorized expenditures.

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 219.39(3)(b), Florida Statutes.

Specific Information

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, *Rules of the Auditor General*, the District reported:

- a. The total number of district employees compensated in the last pay period of the fiscal year was three.
- b. There were no independent contractors to whom non-employee compensation was paid in the last month of the District's fiscal year.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency was \$156,257
- d. There was no compensation earned by or awarded to non-employee independent contractors, whether paid or accrued, regardless of contingency
- e. There are no construction projects with a total cost of at least \$65,000 approved by the District scheduled to begin on or after October 1, 2021 of the fiscal year being reported.
- f. There were no amendments to the final budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to 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 warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

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

Hamilton & Associates CPA, LLC

Brandon, Florida

June 07, 2022

INDEPENDENT ACCOUNTANTS' 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, 2021. 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 judgement, 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, 2021.

Hamilton & Associates CPA, LLC

Brandon, Florida
June 07, 2022