



# Flagler Estates Road and Water Control District

## Required Communications

September 30, 2022



<b>FINANCIAL SECTION</b>	
Independent Auditors’ Report	1
Management’s Discussion and Analysis	4
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide Financial Statements	
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet – Governmental Funds	9
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	10
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Notes to Financial Statements	13
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	23
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Expenditures	24
<b>ADDITIONAL ELEMENTS REQUIRED BY THE RULES OF THE AUDITOR GENERAL</b>	
Management Letter	25
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 <i>Government Auditing Standards</i>	28
Independent Accountants’ Report on Compliance with Section 218.415, Florida Statutes	30
Schedule of Findings	31
District’s Response to Auditors’ Findings	--
<b>REQUIRED COMMUNICATIONS</b>	34
Accounting Policies, Judgements, and Sensitive Estimates & CRI Comments on Quality	42
Summary of Audit Adjustments	43
Management Representation Letter	--



## **INDEPENDENT AUDITORS' REPORT**

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

### **Disclaimer of Opinions**

We were engaged to audit the accompanying financial statements of the governmental activities and each major fund of the Flagler Estates Road and Water Control District (the "District") as of and for the fiscal year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

We do not express opinions on the financial statements of the District referred to above. Because of the significance of the matter described in the Basis for Disclaimer of Opinions section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions on the financial statements.

### ***Basis for Disclaimer of Opinions***

We were unable to satisfy ourselves regarding the completeness of the charges for services revenue due to inadequacies in the District's accounting records and the discovery of errors. Revenue amounts are integral to the determination of amounts presented in the Statement of Activities and the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

### ***Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our responsibility is to conduct an audit of the District's financial statements in accordance with generally accepted auditing standards and to issue an auditors' report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the District.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Carr, Rigg & Ingram, L.L.C.*

Jacksonville, Florida

October 17, 2023

## **Flagler Estates Road and Water Control District Management's Discussion and Analysis**

This discussion and analysis of the Flagler Estates Road and Water Control District's financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2022. Please read it in conjunction with the District's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2022:

- The District's overall net position increased by \$174,684.
- Total ending unrestricted net position was \$2,363,371.
- The District had total expenses for the year of \$1,728,533, compared to revenues of \$1,903,217.

### **OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

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

#### **Government-wide Financial Statements**

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

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

#### **Fund Financial Statements**

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

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

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

## Flagler Estates Road and Water Control District Management's Discussion and Analysis

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

<i>September 30,</i>	<b>Net Position</b>	
	2022	2021
<b>Assets:</b>		
Non-capital assets	\$ 2,584,840	\$ 2,025,642
Capital assets	4,137,468	4,329,213
Total assets	6,722,308	6,354,855
<b>Liabilities:</b>		
Current liabilities	179,159	16,481
Current portion of long-term debt	121,363	103,784
Total current liabilities	300,522	120,265
<b>Long-term liabilities:</b>		
Long-term debt	82,907	70,395
Total liabilities	383,429	190,660
<b>Net position:</b>		
Net investment in capital assets	3,975,508	4,190,804
Unrestricted	2,363,371	1,973,391
Total net position	\$ 6,338,879	\$ 6,164,195
<b>Change in Net Position</b>		
<i>Year ended September 30,</i>	2022	2021
<b>Program revenues:</b>		
Charges for services	\$ 482,225	\$ 349,699
<b>General revenues:</b>		
Special assessments	1,405,679	1,261,550
Investment earnings	2,875	1,179
Miscellaneous	12,438	6,022
Total revenues	1,903,217	1,618,450
<b>Program expenses:</b>		
Physical environment – water control	994,706	1,000,181
Transportation	728,596	723,821
Interest expense on long-term debt	5,231	7,142
Total expenses	1,728,533	1,731,144
Change in net position	174,684	(112,694)
Beginning net position	6,164,195	6,276,889
Ending net position	\$ 6,338,879	\$ 6,164,195

# Flagler Estates Road and Water Control District Management's Discussion and Analysis

## OVERALL FINANCIAL ASSETS AND RESULTS OF OPERATIONS

### Governmental Activities

The governmental activities generated \$482,225 in program revenues and \$1,420,992 of general revenues, and incurred \$1,728,533 of program expenses. This resulted in \$174,684 increase in net position.

## THE DISTRICT'S INDIVIDUAL FUNDS

### General Fund

The General Fund's fund balance increased by \$308,465 from \$1,640,880 to \$1,949,345. This was the result of an increase in charges for services and special assessment revenues received during the year.

### Capital Projects Fund

The Capital Projects Funds balance increased by \$88,055 from \$368,281 to \$456,336. This was the result of increased special assessment revenues received during the year.

## BUDGETARY HIGHLIGHTS

There was one amendment to the original budget for the General Fund during the year. Revenues received by the General Fund were more than the budgeted amounts. General Fund expenditures were more than budgeted amounts by \$122,569.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

There was significant capital asset activity during 2022, including drainage and roadway improvements. Please refer to a note to the accompanying financial statements entitled *Capital Assets and Depreciation* for more detailed information about the District's capital asset activity.

### Debt Administration

The District entered into a new financing agreement during the current year for the purchase of equipment. Please refer to a note to the accompanying financial statements entitled *Long-term Liabilities* for more detailed information about the District's long-term debt activity.

## ECONOMIC FACTORS

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

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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



**Flagler Estates Road and Water Control District**  
**Statement of Net Position**

<i>September 30, 2022</i>	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 2,231,247
Investment in state pool	118,593
Inventory	235,000
Capital assets:	
Nondepreciable	82,144
Depreciable capital assets, net	4,055,324
Total assets	6,722,308
<b>Liabilities</b>	
Current liabilities:	
Accounts payable and accrued liabilities	179,159
Current portion of long-term debt	121,363
Total current liabilities	300,522
Long-term liabilities:	
Long-term debt	82,907
Total liabilities	383,429
<b>Net position</b>	
Net investment in capital assets	3,975,508
Unrestricted	2,363,371
Total net position	\$ 6,338,879

*The accompanying notes are an integral part of these financial statements.*

## Flagler Estates Road and Water Control District Statement of Activities

*For the year ended September 30, 2022*

Functions/programs	Expenses	<u>Program Revenues</u> Charges for Services	Net (Expense) Revenue and Changes in Net Position
Governmental activities:			
Physical environment	\$ 994,706	\$ 250,757	\$ (743,949)
Transportation	728,596	231,468	(497,128)
Interest expense on long-term debt	5,231	-	(5,231)
<b>Total governmental activities</b>	<b>\$ 1,728,533</b>	<b>\$ 482,225</b>	<b>(1,246,308)</b>
<b>General revenues:</b>			
			1,405,679
			2,875
			12,438
			<u>1,420,992</u>
			174,684
			<u>6,164,195</u>
			<u>\$ 6,338,879</u>

*The accompanying notes are an integral part of these financial statements.*

**Flagler Estates Road and Water Control District  
Balance Sheet – Governmental Funds**

<i>September 30, 2022</i>	General Fund	Capital Projects Fund	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 1,774,911	\$ 456,336	\$ 2,231,247
Investment in state pool	118,593	-	118,593
Inventory	60,980	174,020	235,000
<b>Total assets</b>	<b>\$ 1,954,484</b>	<b>\$ 630,356</b>	<b>\$ 2,584,840</b>
<b>Liabilities and fund balances</b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 5,139	\$ 174,020	\$ 179,159
<b>Total liabilities</b>	<b>5,139</b>	<b>174,020</b>	<b>179,159</b>
Fund balances:			
Nonspendable:			
Inventory	60,980	174,020	235,000
Assigned for capital projects	-	282,316	282,316
Unassigned	1,888,365	-	1,888,365
<b>Total fund balances</b>	<b>1,949,345</b>	<b>456,336</b>	<b>2,405,681</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,954,484</b>	<b>\$ 630,356</b>	<b>\$ 2,584,840</b>

*The accompanying notes are an integral part of these financial statements.*

**Flagler Estates Road and Water Control District  
Reconciliation of the Balance Sheet of Governmental Funds  
To the Statement of Net Position**

<i>September 30,</i>	2022
Total fund balances - governmental funds	\$ 2,405,681
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 governmental funds.	
Capital assets - net of accumulated depreciation	4,137,468
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences	(42,310)
Notes payable	(161,960)
Net position of governmental activities	\$ 6,338,879

*The accompanying notes are an integral part of these financial statements.*

**Flagler Estates Road and Water Control District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Governmental Funds**

<i>For the year ended September 30, 2022</i>	General Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues</b>			
Charges for services	\$ 482,225	\$ -	\$ 482,225
Special assessments	1,121,530	284,149	1,405,679
Miscellaneous	15,100	213	15,313
<b>Total revenues</b>	<b>1,618,855</b>	<b>284,362</b>	<b>1,903,217</b>
<b>Expenditures</b>			
Current:			
Physical environment	481,149	3,491	484,640
Transportation	444,138	3,222	447,360
Capital outlay	403,423	189,594	593,017
Debt service:			
Principal	100,385	-	100,385
Interest	5,231	-	5,231
<b>Total expenditures</b>	<b>1,434,326</b>	<b>196,307</b>	<b>1,630,633</b>
Excess (deficiency) of revenues over (under) expenditures	184,529	88,055	272,584
<b>Other financing sources</b>			
Proceeds from long-term debt	123,936	-	123,936
<b>Total other financing sources</b>	<b>123,936</b>	<b>-</b>	<b>123,936</b>
<b>Net change in fund balances</b>	<b>308,465</b>	<b>88,055</b>	<b>396,520</b>
Fund balances, beginning of year	1,640,880	368,281	2,009,161
<b>Fund balances, end of year</b>	<b>\$ 1,949,345</b>	<b>\$ 456,336</b>	<b>\$ 2,405,681</b>

*The accompanying notes are an integral part of these financial statements.*

**Flagler Estates Road and Water Control District**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund**  
**Balances of Governmental Funds to the Statement of Activities**

<i>For the year ended September 30,</i>	2022
Net change in fund balances - total governmental funds	\$ 396,520
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.</p>	
Expenditures for capital assets	593,017
Current year depreciation	(784,762)
<p>Compensated absences are reported in the statement of activities when earned. As they do not require the use of current financial resources, they are not reported as expenditures on governmental funds until they have matured. This is the amount of compensated absences reported in the statement of activities in the prior year that has matured in the current year.</p>	
	(6,540)
<p>Issuance of long-term debt is an other financing source in the governmental funds, but increases long-term liabilities in the statement of net position.</p>	
	(123,936)
<p>Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>	
	100,385
Change in net position of governmental activities	\$ 174,684

*The accompanying notes are an integral part of these financial statements.*

# Flagler Estates Road and Water Control District

## Notes to Financial Statements

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### ***Reporting Entity***

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

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

The District did not participate in any joint ventures during the 2021-2022 fiscal year.

#### ***Government-wide Financial Statements***

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

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

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

#### ***Fund Financial Statements***

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

## Flagler Estates Road and Water Control District Notes to Financial Statements

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District reports the following major governmental funds:

#### ***Governmental Funds***

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

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

#### ***Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due. The District has no long-term debt.

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

#### ***Budgetary Information***

##### ***Budgetary basis of accounting***

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund.



# Flagler Estates Road and Water Control District

## Notes to Financial Statements

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The appropriated budget is prepared by fund and function. The District’s department heads may make transfers of appropriations within a department. Transfers of appropriations budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

#### ***Cash and Cash Equivalents***

Cash and Equivalents consist of deposits placed in a bank that qualifies as a public depository pursuant to the provisions of the Florida Security for Public Deposits Act. Every qualified public depository is required by this law to deposit with the Chief Financial Officer eligible collateral equal to, or in excess of, an amount to be determined by the Chief Financial Officer. The Chief Financial Officer is required to ensure that all funds are entirely insured or collateralized throughout the fiscal year. For purposes of the financial statements, investments in money markets are also included with cash and cash equivalents.

#### ***Investments***

The District does not have a formal investment policy. The District deposits surplus funds with the State Board of Administration's (the “SBA”) Local Government Investment Pool (the “State Pool”). It is an authorized form of investment, pursuant to Section 218.415, Florida Statutes, and is the only type of investment held at September 30, 2022.

#### ***Inventory***

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

#### ***Capital Assets and Depreciation***

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

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

<u>Capital asset classes</u>	<u>Lives</u>
Buildings	25 - 40
Vehicles and equipment	5 - 10
Infrastructure	10 - 15

## Flagler Estates Road and Water Control District Notes to Financial Statements

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### ***Compensated Absences***

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

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

#### ***Long-Term Liabilities***

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

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

#### ***Net Position***

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

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

#### ***Fund Balance***

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

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

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

## Flagler Estates Road and Water Control District Notes to Financial Statements

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

#### ***Use of Estimates***

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

#### ***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, October 17, 2023 and determined there were no events that occurred that required disclosure.

#### ***Recently Issued Accounting Pronouncements, Not Yet Effective***

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

## Flagler Estates Road and Water Control District Notes to Financial Statements

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

GASB Statement No. 100, *Accounting Changes and Error Corrections*, This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 101, *Compensated Absences*, The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

## Flagler Estates Road and Water Control District Notes to Financial Statements

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District is currently evaluating the effects that these statements will have on its fiscal year 2023 financial statements.

### NOTE 2 – INVESTMENTS

The District’s investments at September 30, 2022 are summarized in the following table:

	Amount	S&P Rating
Florida PRIME	\$ 118,593	AAAm

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

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

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

*Credit Risk* – The risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Florida PRIME is rated by Standard and Poor’s and has a rating at September 30, 2022 of AAAm.

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

The weighted average maturity (WAM) of the Florida PRIME at September 30, 2022 was 21 days.

### NOTE 3 – NON AD-VALOREM ASSESSMENTS

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

## Flagler Estates Road and Water Control District Notes to Financial Statements

### NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended September 30, 2022 was as follows:

	Balance October 1, 2021	Additions	Deletions	Balance September 30, 2022
<b>Capital assets not being depreciated:</b>				
Land	\$ 82,144	\$ -	\$ -	\$ 82,144
<b>Capital assets being depreciated:</b>				
Infrastructure	12,479,785	436,540	-	12,916,325
Buildings	72,601	-	-	72,601
Equipment	1,745,313	156,477	144,391	1,757,399
<b>Total capital assets being depreciated</b>	<b>14,297,699</b>	<b>593,017</b>	<b>144,391</b>	<b>14,746,325</b>
<b>Less accumulated depreciation for:</b>				
Infrastructure	8,647,833	688,991	-	9,336,824
Buildings	67,348	1,589	-	68,937
Equipment	1,335,449	94,182	144,391	1,285,240
<b>Total accumulated depreciation</b>	<b>10,050,630</b>	<b>784,762</b>	<b>144,391</b>	<b>10,691,001</b>
<b>Total capital assets being depreciated, net</b>	<b>4,247,069</b>	<b>(191,745)</b>	<b>-</b>	<b>4,055,324</b>
<b>Capital assets, net</b>	<b>\$ 4,329,213</b>	<b>\$ (191,745)</b>	<b>\$ -</b>	<b>\$ 4,137,468</b>

Depreciation expense was allocated to the governmental functions in the statement of activities as follows:

<i>For the year end September 30,</i>	<b>2022</b>
Governmental activities	
Physical environment	\$ 408,076
Transportation	376,686
<b>Total depreciation expense - governmental activities</b>	<b>\$ 784,762</b>

## Flagler Estates Road and Water Control District Notes to Financial Statements

### NOTE 5 – LONG-TERM LIABILITIES

#### *Notes Payable*

A note payable was issued on November 12, 2019 in the amount of \$276,982 to finance the purchase of two new tractors. It is payable in annual installments of \$72,859 with a nominal annual rate of 3.5%, through October 2022. As of September 30, 2022, the principal outstanding on the note was \$70,395.

A note payable was issued on November 24, 2021 in the amount of \$123,936 to finance the purchase of a new wheel loader. It is payable in annual installments of \$32,371 with a nominal annual rate of 3%, through December 2024. As of September 30, 2022, the principal outstanding on the note was \$91,565.

Estimated future debt maturities are as follows:

<i>Years ending September 30,</i>	Principal	Interest
2023	\$ 100,019	\$ 5,211
2024	30,513	1,858
2025	31,428	943
<b>Total</b>	<b>\$ 161,960</b>	<b>\$ 8,012</b>

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

	Balance October 1, 2021	Additions	Deletions	Balance September 30, 2022	Due Within One Year
Notes Payable	\$ 138,409	\$ 123,936	\$ 100,385	\$ 161,960	\$ 100,019
Compensated absences	35,770	27,884	21,344	42,310	21,344
<b>Total</b>	<b>\$ 174,179</b>	<b>\$ 151,820</b>	<b>\$ 121,729</b>	<b>\$ 204,270</b>	<b>\$ 121,363</b>

### NOTE 6 – RETIREMENT PLAN

The District sponsors a 403(b) retirement plan. The District's contribution is discretionary. Eligible employees are those who are at least 21 years of age and there is no minimum service requirement. The District made contributions of \$21,715 to the plan for the year ended September 30, 2022.

### NOTE 7 - COMMITMENT AND CONTINGENCIES

The District is involved in claims in the normal course of operations. It is the opinion of management that any uninsured claims would not be material in relation to the District's financial condition.

## **Flagler Estates Road and Water Control District Notes to Financial Statements**

### **NOTE 8 – RISK MANAGEMENT**

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



## **Required Supplementary Information**

**Flagler Estates Road and Water Control District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual – General Fund**

<i>For the year ended September 30, 2022</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Charges for services	\$ 162,803	\$ 362,803	\$ 482,225	\$ 119,422
Special assessments	845,508	1,020,508	1,121,530	101,022
Miscellaneous	3,600	28,600	15,100	(13,500)
<b>Total revenues</b>	<b>1,011,911</b>	<b>1,411,911</b>	<b>1,618,855</b>	<b>206,944</b>
<b>Expenditures</b>				
Current:				
Physical environment	431,474	514,674	481,149	33,525
Transportation	398,283	475,083	444,138	30,945
Capital outlay	82,000	247,000	403,423	(156,423)
Debt service	-	75,000	105,616	(30,616)
<b>Total expenditures</b>	<b>911,757</b>	<b>1,311,757</b>	<b>1,434,326</b>	<b>(122,569)</b>
Excess (deficiency) of revenues over (under) expenditures	100,154	100,154	184,529	84,375
Other financing sources				
Proceeds from long-term debt	-	-	123,936	123,936
Net change in fund balance	100,154	100,154	308,465	208,311
Fund balances, beginning of year	1,640,880	1,640,880	1,640,880	-
<b>Fund balances, end of year</b>	<b>\$ 1,741,034</b>	<b>\$ 1,741,034</b>	<b>\$ 1,949,345</b>	<b>\$ 208,311</b>

Notes to Schedule:

1. The annual budget is prepared by the Treasurer and approved by the Board of Supervisors. The budget is prepared on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. Budget amendments can only be made with approval of the Board of Supervisors. The fund is the legal level of control.
2. The annual budget was overexpended due to insufficient budget for capital outlay including equipment financed with a note payable. The proceeds of the note payable were also not budgeted.

## **Supplementary Information**

**Flagler Estates Road and Water Control District  
Schedule of Expenditures**

<i>For the year ended September 30, 2022</i>	General Fund	Capital Projects Fund	Total Governmental Funds
Salaries and wages	\$ 414,592	\$ -	\$ 414,592
Payroll taxes	31,529	-	31,529
Life and health insurance	94,546	-	94,546
Retirement	21,715	-	21,715
Vegetation control	14,869	-	14,869
Fuel	72,767	-	72,767
Repairs and supplies	68,947	-	68,947
Utilities and telephone	10,429	-	10,429
Insurance	68,394	-	68,394
Debt service	105,616	-	105,616
Legal and accounting	59,645	-	59,645
Travel	4,125	-	4,125
Tax collection expense	44,893	6,713	51,606
Engineering	1,356	-	1,356
Office supplies and postage	6,403	-	6,403
Other current charges	11,077	-	11,077
Capital outlay	403,423	189,594	593,017
<b>Total expenditures</b>	<b>\$ 1,434,326</b>	<b>\$ 196,307</b>	<b>\$ 1,630,633</b>

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

## **MANAGEMENT LETTER**

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

### **Report on the Financial Statements**

We were engaged to audit the financial statements of the Flagler Estates Road and Water Control District (the "District"), as of and for the fiscal year ended September 30, 2022, and have issued our report thereon dated October 17, 2023. Our independent auditors' report included a disclaimer of opinions on the financial statements as we were unable to satisfy ourselves regarding the completeness of the charges for services revenue due to inadequacies in the District's accounting records and the discovery of errors. Revenue amounts are integral to the determination of amounts presented in the Statement of Activities and the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

### **Auditors' Responsibility**

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

### **Other Reporting Requirements**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated October 17, 2023, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. Corrective actions have been not taken to address findings and recommendations made in the preceding finance audit report. If the audit findings in the preceding audit report are uncorrected, we are required to identify those findings that were also included in the second preceding audit report. Corrective actions have not been taken to address findings and recommendations made in the preceding financial audit report.

<b>Tabulation of Uncorrected Audit Findings</b>		
<b>Current Year Finding #</b>	<b>FY 2021 Finding #</b>	<b>FY 2020 Finding #</b>
2022-001	2021-001	2020-001
2022-002	2021-002	2020-002
2022-003	2021-003 (new)	n/a
2022-004 (new)	n/a	n/a
2022-005 (new)	n/a	n/a

**Financial Condition and Management**

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Flagler Estates Road and Water Control District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific conditions met. In connection with our audit, we determined that the Flagler Estates Road and Water Control District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, such recommendations are included in our Schedule of Findings.

**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 Flagler Estates Road and Water Control District reported:

- a. The total number of District employees compensated in the last pay period of the District’s fiscal year as 8.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the District’s fiscal year as not applicable.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$401,228.
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as not applicable.

- e. Each construction project with a total cost of at least \$65,000 approved by the District that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as not applicable.
- f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the District amends a final adopted budget under Section 189.016(6), Florida Statutes, as included in the Required Supplementary Information as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.

### **Specific Information**

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)7, Rules of the Auditor General, the Flagler Estates Road and Water Control District reported:

- a. The rate or rates of non-ad valorem special assessments imposed by the District as \$200 per acre.
- b. The total amount of special assessments collected by or on behalf of the District as \$1,405,679.
- c. No outstanding bonds issued by the District.

### **Additional Matters**

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

### **Purpose of this Letter**

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

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

*Carr, Piggott & Chapman, L.L.C.*

Jacksonville, Florida  
October 17, 2023





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

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

We were engaged to 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, the financial statements of the governmental activities and each major fund of the Flagler Estates Road and Water Control District (the "District") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 17, 2023.

**Report on 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) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as items 2022-001 and 2022-002, 2022-004, and 2022-005 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings as item 2022-003 to be a significant deficiency.

## **Report on 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 financial statements. 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*.

## **District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

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

*Carr, Riggs & Ingram, L.L.C.*  
Jacksonville, Florida  
October 17, 2023

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

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

We have examined Flagler Estates Road and Water Control District's (the "District") compliance with the specified requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2022. Management of the District is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements based on our examination.

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

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2022.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, L.L.C.*  
Jacksonville, Florida  
October 17, 2023

## Flagler Estates Road and Water Control District Schedule of Findings

2022-001 (Reported in previous audit reports as items 2021-001 and 2020-001)

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

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

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

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

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

2022-002 (Reported in previous audit reports as items 2021-002 and 2020-002)

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

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

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

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

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

## Flagler Estates Road and Water Control District Schedule of Findings

- 2022-003 (Reported in previous audit reports as item 2021-003)
- Criteria** – Pursuant to Section 189.016, Florida Statutes, the District should operate within its approved budget.
- Condition** – The District over expended its General Fund budget by approximately \$123,000.
- Cause** – The District did not implement controls and monitoring at the fund level using modified accrual accounting principles.
- Effect** – The District is not in compliance with Section 189.016, Florida Statutes.
- Recommendation** – The District should implement budgetary controls and monitoring at the fund level at a minimum.
- 2022-004
- Criteria** – The District is responsible for maintaining effective information technology controls over financial transactions and reporting.
- Condition** – The District does not require each user of QuickBooks to have their own unique login credentials. As such, the manager’s login is shared by the part-time administrative assistant. In addition, the District does not restrict the ability of the users to modify their own transactions, including changing amounts and descriptions of recorded transactions.
- Cause** – The District did not implement controls and monitoring surrounding the information technology environment.
- Effect** – Misappropriation of assets and risk of misstatements of financial information is elevated.
- Recommendation** – The District should require a unique and secure account for each individual who accesses the accounting program. The ability to modify a transaction should require approval of a second party.
- 2022-005
- Criteria** – Adequate controls should be in place to allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements in a timely basis.
- Condition** – Certain cash payments were not recorded to the general ledger or deposited into the bank and the condition was not discovered until the audit identified two deposits for culvert installations totaling \$4,549 that were missing from the District’s accounting records and bank deposits. Subsequent to these receipts being noted as missing during the audit, the District reported that they located the cash amount in the petty cash box.

## Flagler Estates Road and Water Control District Schedule of Findings

**Cause** – Cash payments are taken without the use of a secure receipting system such as prenumbered or computer generated receipts. No reconciliations are performed between culvert work orders completed and culvert installation receipts recorded. The petty cash box was not reconciled for more than six months.

**Effect** – The completeness of Charges for Services revenues in the General Fund and governmental activities could not be determined due to the lack of a verifiable complete population of amounts received by the District. Two deposits were identified that were not appropriately recorded or deposited. There is a risk that intentional or unintentional errors including misappropriation of assets could be made and not detected.

**Recommendation** – All payments received from customers should be immediately entered into the accounting system and a receipt should be provided to the customer that is either from a prenumbered, secure book of receipts or computer generated by the accounting system. A notice should be posted in a highly visible area that all customers should expect to receive such a receipt upon payment. Work orders should be prenumbered and secured and copies of completed work orders should be maintained and reconciled to the receipts recorded. Petty cash should be reconciled monthly. All reconciliations should be performed or approved by someone not involved in the cash receipting process. The District should engage a forensic auditor to determine if assets were misappropriated.

9850 Light Ave.  
Hastings, FL 32145  
(904) 692-1513 Office  
(904) 692-5919 fax  
www.ferwcd.us

.....

# Flagler Estates Road & Water Control District

October 17, 2023

Ms. Sherill F. Norman, CPA  
Auditor General  
111 West Madison Street  
Tallahassee, FL 32399

Dear Ms. Norman:

I write to you in response to the findings note in the audit of Flagler Estates Road & Water Control District, prepared by Carr, Riggs, & Ingram, LLC for the year ended September 30, 2022.

Finding 2022-001- Segregation of Incompatible Duties

We recognize that we are unable to adequately segregate certain incompatible duties. Budget constraints and limited personnel restrict our ability to keep one employee from accessing both physical assets and related accounting records, or to all phases of and provides oversight to our budget. We feel that active participation by management helps minimize the impact of this weakness.

In addition, we utilize an outside accounting firm to perform monthly oversight of our financial records. While this does not completely alleviate the above, we feel that this does provide significant mitigation.

Finding 2022-002- Preparation of Financial Statements

We have evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and have determined that it is in our best interests to outsource this task to our independent auditors.

Findings 2022-003 – Budget

We will consider and implement controls over the budget monitoring process to avoid expending the budget in future years.

I hope that this is responsive to the comments noted in the audit.

If you require further information, please do not hesitate to contact me.

Sincerely,



William H. Fisher

President, Board of Supervisors

[www.ferwcd.us](http://www.ferwcd.us)

.....



**Carr, Riggs & Ingram, LLC**  
7411 Fullerton Street  
Suite 300  
Jacksonville, FL 32256

904.356.6023  
904.353.5836 (fax)  
CRlcpa.com

October 17, 2023

To the Board of Supervisors  
Flagler Estates Road & Water Control District

We were engaged to audit of the 2022 financial statements of Flagler Estates Road & Water Control District (the "District"). Because of the significance of the matter described in the Basis for Disclaimer of Opinions section of our independent auditors' report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions on the financial statements.

This report to Board of Supervisors and management summarizes the report issued and various analyses and observations related to the District's accounting and reporting. The document also contains the communications required by our professional standards.

This report is intended solely for the use of the Board of Supervisors and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Carr, Riggs & Ingram, L.L.C.*

Carr, Riggs & Ingram, LLC  
CERTIFIED PUBLIC ACCOUNTANTS





As discussed with the Board of Supervisors and management during our planning process, our audit plan represented an approach responsive to the assessment of risk for the District. Specifically, we planned and performed our audit to:

- Perform audit services, as requested by the Board of Supervisors and management, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States, in order to express an opinion on the District's financial statements for the year ending September 30, 2022;
- Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Governmental Auditing Standards*.
- Communicate directly with the Board of Supervisors and management regarding the results of our procedures;
- Address with Board of Supervisors and management any accounting and financial reporting issues;
- Anticipate and respond to concerns of the Board of Supervisors and management; and
- Address other audit-related projects as they arise and upon request.



We were engaged to audit the financial statements of Flagler Estates Road & Water Control District (the “District”) as of and for the year ended September 30, 2022, and have issued our report thereon dated October 17, 2023. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITORS’ RESPONSE
<p><b>Auditors’ responsibility under Generally Accepted Auditing Standards (and if applicable, <i>Government Auditing Standards</i> and the Uniform Guidance)</b></p>	<p>As stated in our engagement letter dated January 31, 2023, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities.</p> <p>Because of the significance of the matter described in the Basis for Disclaimer of Opinions section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions on the financial statements.</p> <p>As part of our audit, we considered the internal control of the District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p>
<p><b>Client’s responsibility</b></p>	<p>Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud.</p> <p>Management is responsible for overseeing nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.</p>
<p><b>Planned scope and timing of the audit</b></p>	<p>Our initial audit plan was significantly altered during our fieldwork. Our risk of fraud due to misappropriation of assets was raised to high due to the results of our testing of charges for services revenues.</p>
<p><b>Management’s judgments and accounting estimates</b> <i>The process used by management in forming particularly sensitive accounting estimates and the basis for the auditors’ conclusion regarding the reasonableness of those estimates.</i></p>	<p>Please see the following section titled “Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality.”</p>



MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p><b>Potential effect on the financial statements of any significant risks and exposures</b>  <i>Major risks and exposures facing the Company and how they are disclosed.</i></p>	<p>No such risks or exposures were noted.</p>
<p><b>Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditors' judgment about the quality of accounting principles</b></p> <ul style="list-style-type: none"> <li>• <i>The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</i></li> <li>• <i>The auditor should also discuss the auditors' judgment about the quality, not just the acceptability, of the accounting policies as applied in its financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the financial statements, including disclosures. Critical accounting policies and practices applied in the financial statements and our assessment of management's disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations.</i></li> <li>• <i>Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor; Furthermore, if the accounting policy selected by management is not the policy preferred by us, discuss the reasons why management selected that policy, the policy preferred by us, and the reason we preferred the other policy.</i></li> </ul>	<p>The significant accounting policies used by the District are described in Note 1 to the financial statements. New accounting policies were adopted during the fiscal year as a result of the following recently issued accounting pronouncements:</p> <ul style="list-style-type: none"> <li>• Statement No. 87, Leases (GASB 87)</li> </ul> <p>The adoption of GASB Statements No. 87 did not have an impact on the financial statements.</p> <p>Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive disclosures affecting the financial statements.</p> <p>The financial statement disclosures are neutral, consistent, and clear.</p>



MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p><b>Significant difficulties encountered in the audit</b>  <i>Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.</i></p>	<p>We were unable to determine completeness of revenues due to inadequate accounting records and internal controls over the cash receipting process.</p>
<p><b>Disagreements with management</b>  <i>Disagreements, whether or not subsequently resolved, about matters significant to the financial statements or auditors' report. This does not include those that came about based on incomplete facts or preliminary information.</i></p>	<p>We recommended that management and the Board of Supervisors engage a forensic auditor to determine if misappropriation of assets occurred.</p> <p>This recommendation was not acted upon.</p>
<p><b>Other findings or issues</b>  <i>Conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.</i></p>	<p>We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.</p> <p>We also wanted to inform you of certain matters we observed that relate to internal control procedures that although we do not consider them to be significant deficiencies of material weaknesses, we still believe that these could be improved with minor modifications and that could be of benefit to the District.</p> <ol style="list-style-type: none"> <li>1. We observed that copies of board minutes were published on the District's website. However, we noted that some of them were not signed, even though we could confirm that they were the final and approved versions. The missing signature on meeting minutes could give the impression that it is still in draft form or that it has not been approved. We recommend that on the district website you publish the copies of the approvals of the minutes clearly evidenced by the signature of the board members. This would prevent any confusion to outside public accessing these minutes.</li> <li>2. We noted that the District does not have an accounting procedures manual. There may be an assumption that because the District's accounting system is relatively simple and accounting personnel are properly trained or have direct and easy access to the Treasurer when questions arise, there is no need for a manual. However, written procedures, instructions, and assignments of duties will prevent or reduce misunderstandings, errors, inefficient or wasted effort,</li> </ol>



MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
	<p>duplicated or omitted procedures, and other situations that could result in inaccurate or untimely accounting records. A well-devised accounting manual can also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management. A good accounting manual should aid in the training of new employees and possibly allow for delegation to other employees of some accounting functions management performs.</p> <p>It will take some time and effort for management to develop a manual; however, we believe this time will be more than offset by time saved later in training and supervising accounting personnel. Also, in the process of the comprehensive review of existing accounting procedures for the purpose of developing the manual, management might discover procedures that can be eliminated or improved to make the system more efficient and effective.</p>
<p><b>Matters arising from the audit that were discussed with, or the subject of correspondence with, management</b>  <i>Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.</i></p>	<p>None noted.</p>
<p><b>Corrected and uncorrected misstatements</b>  <i>All significant audit adjustments arising from the audit, whether or not recorded by management, that could individually or in the aggregate have a significant effect on the financial statements. We should also communicate uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.</i></p>	<p>See "Summary of Audit Adjustments" section.</p>
<p><b>Major issues discussed with management prior to retention</b>  <i>Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.</i></p>	<p>Discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.</p>



MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p><b>Consultations with other accountants</b>  <i>When management has consulted with other accountants about significant accounting or auditing matters.</i></p>	<p>To our knowledge, there were no such consultations with other accountants.</p>
<p><b>Written representations</b>  <i>A reference to the written representations the auditor requested (or a copy of the representation letter).</i></p>	<p>See "Management Representation Letter" section.</p>
<p><b>Internal control deficiencies</b>  <i>Any significant deficiencies or material weaknesses in the design or operation of internal control that came to the auditors' attention during the audit.</i></p>	<p>See the "Schedule of Findings" in the financial statements.</p>
<p><b>Fraud and illegal acts</b>  <i>Fraud involving senior management or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditors' attention involving senior management and any other illegal acts, unless clearly inconsequential.</i></p>	<p>While we are unable to determine whether any fraud or illegal acts involving management or causing material misstatement of the financial statements occurred, the missing cash receipts noted during the testing of charges for services revenue in combination with the long standing material weaknesses in internal control related to the cash receipting process increases the risk that such fraud may exist.</p>
<p><b>Significant unusual accounting transactions</b>  <i>Auditor communication with governance to include auditors' views on policies and practices management used, as well as the auditors' understanding of the business purpose.</i></p>	<p>No significant unusual accounting transactions were noted during the year.</p>
<p><b>Required supplementary information</b>  <i>The auditors' responsibility for required supplementary information accompanying the financial statements, as well as any procedures performed and the results.</i></p>	<p>We applied certain limited procedures to the required supplementary information (RSI) that supplements the financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.</p>



MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p><b>Supplementary information in relation to the financial statements as a whole</b>  <i>The auditors' responsibility for supplementary information accompanying the financial statements, as well as any procedures performed and the results.</i></p>	<p>We were engaged to report on the supplementary information, which accompanies the financial statements but is not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.</p>
<p><b>Other information in documents containing audited financial statements</b>  <i>The external auditor's responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.</i></p>	<p>Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether:</p> <ul style="list-style-type: none"> <li>• Such information is materially inconsistent with the financial statements; and</li> <li>• We believe such information represents a material misstatement of fact.</li> </ul> <p>We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.</p>

## Accounting Policies, Judgements, and Sensitive Estimates & CRI Comments on Quality



We are required to communicate our judgments about the quality, not just the acceptability, of the District's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The Board of Supervisors may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	AUDITORS' CONCLUSIONS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Depreciation of property and equipment	The District depreciates property and equipment using the straight-line method.	X	The District depreciates property and equipment over their estimated useful lives which are based on the experience with similar assets and guidance provided by ASC 360.	The District's recognition methods and disclosures appear appropriate.



## Summary of Audit Adjustments



During the course of our audit, we accumulate differences between amounts recorded by the District and amounts that we believe are required to be recorded under GAAP reporting guidelines. Those adjustments are either recorded (corrected) by the District or passed (uncorrected).

There were no uncorrected misstatements.

The following are corrected adjustments as a result of our audit procedures that were accepted by management.

Account	Description	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>			
To reinstate PTO balance from prior year and close out through net assets to follow past procedures. See AJE#2 for remaining entry to reconcile net assets.			
001-369-90	Miscellaneous Revenues	14,840	
001-239-95	Compensated Absences		14,840
<b>Total</b>		<b>14,840</b>	<b>14,840</b>
<b>Adjusting Journal Entries JE # 2</b>			
To agree net assets to PY FS			
001-238-00	Notes Payable	131,265	
001-239-95	Compensated Absences	14,840	
001-271-00	Fund Balance - Undesignated	142,567	
001-546-00	Shop Expense	1	
001-166-00	Equipment		275,628
001-531-32	Vegetation Control		13,045
<b>Total</b>		<b>288,673</b>	<b>288,673</b>
<b>Adjusting Journal Entries JE # 3</b>			
To properly reflect the debt proceeds and the Loader purchased as equipment expense on the fund FS			
001-238-01	Notes Payable - 926MLoader	97,113	
001-564-64	Machinery & Equipment	125,411	
001-564-64	Machinery & Equipment	31,066	
001-900-00	Debt Service	32,371	
001-900-01	Interest Expense	386	
001-166-00	Equipment		162,411
001-371-90	Proceeds from Debt		123,936
<b>Total</b>		<b>286,347</b>	<b>286,347</b>



**Adjusting Journal Entries JE # 4**

To properly reflect debt service payment on the fund FS

001-900-00	Debt Service	68,014	
001-900-01	Interest Expense	4,845	
001-238-00	Notes Payable		72,859
<b>Total</b>		<u><b>72,859</b></u>	<u><b>72,859</b></u>

**Adjusting Journal Entries JE # 5**

To reflect the inventory and related accounts payable for road millings delivered prior to year end

301-157-00	Inventory	174,020	
301-320-00	Retained Earnings - Fund Balance	174,020	
301-202-00	Accounts Payable		174,020
301-321-00	Fund Balance - Res for Inv		174,020
<b>Total</b>		<u><b>348,040</b></u>	<u><b>348,040</b></u>

**Adjusting Journal Entries JE # 6**

To increase inventory balance to actual.

001-157-00	Inventory	8,337	
001-271-00	Fund Balance - Undesignated	8,337	
001-270-00	Fund Balance - Reserved for Inv		8,337
001-546-00	Shop Expense		8,337
<b>Total</b>		<u><b>16,674</b></u>	<u><b>16,674</b></u>

**QUALITATIVE MATERIALITY CONSIDERATIONS**

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in earnings or other trends.
- Whether the difference changes a net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area of the District’s operating environment that has been identified as playing a significant role in the District’s operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference has the effect of increasing management’s compensation – for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation.
- Whether the difference involves concealment of an unlawful transaction.

⋮

9850 Light Avenue  
Hastings, FL 32145  
Phone (904) 692-1513  
Fax (904) 692-5919  
[www.ferwcd.us](http://www.ferwcd.us)

# Flagler Estates Road & Water Control District

October 17, 2023

Carr, Riggs & Ingram, LLC  
7411 Fullerton Street, Ste 300  
Jacksonville, FL 32256

This representation letter is provided in connection with your audits of the financial statements of Flagler Estates Road & Water Control District (the "District"), which comprise the respective financial position of the governmental activities and each major fund as of September 30, 2022, and the respective changes in financial position and the disclosures (collectively, the "financial statements"), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered to be material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of October 17, 2023, the following representations made to you during your audit.

## Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 31, 2023, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the accounts.  
[www.ferwcd.us](http://www.ferwcd.us)
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

- 10) Guarantees, whether written or oral under which the District is contingently liable, if any, have been properly recorded or disclosed.

### **Information Provided**

- 11) We have provided you with:
- a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of the District or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 1) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 1) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 2) We have no knowledge of any fraud or suspected fraud that affects the District and involves—
- Management,
  - Employees who have significant roles in internal control, or
  - Others where the fraud could have a material effect on the financial statements.
- 3) We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, regulators, or others.
- 4) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
- 5) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 6) We have disclosed to you the names of the District's related parties and all the related party relationships and transactions, including any side agreements.

### **Government-specific**

- 7) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 8) We have a process to track the status of audit findings and recommendations.
- 9) We have identified to you any previous audits, attestation engagements, and other studies related to the objectives of the audit and whether related recommendations have been implemented.
- 19) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 10) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 11) The District has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 12) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 13) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the

financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

- 14) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 15) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 16) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 17) As part of your audit, you assisted with preparation of the financial statements and disclosures and preparation of the Annual Financial Report. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures.
- 18) In regard to the assistance with preparation of the financial statements and disclosures and annual financial report services performed by you, we have—
  - 1) Assumed all management responsibilities.
  - 2) Designated Linda Gee, who has suitable skill, knowledge, or experience to oversee the services.
  - 3) Evaluated the adequacy and results of the services performed.
  - 4) Accepted responsibility for the results of the services.
  - 5) Ensured that the entity's data and records are complete and received sufficient information to oversee the services.
- 19) The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 20) The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 20) The financial statements include all fiduciary activities required by GASBS No. 84 , as amended.
- 21) The financial statements properly classify all funds and activities in accordance with GASBS No. 34 , as amended.
- 22) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 23) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 24) Investments and land are properly valued.
- 25) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 26) Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
- 27) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 28) Deposits and investment securities and derivative instrument transactions are properly classified as to risk and are properly disclosed.

- 29) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
- 30) We have appropriately disclosed the District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 31) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 32) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 33) With respect to the Schedule of Expenditures:
- a) We acknowledge our responsibility for presenting the Schedule of Expenditures in accordance with accounting principles generally accepted in the United States of America, and we believe the Schedule of Expenditures, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the Schedule of Expenditures have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
  - b) If the Schedule of Expenditures is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditors' report thereon.
- 34) We have evaluated the District's ability to continue as a going concern and have included appropriate disclosures, as necessary, in the financial statements.
- 35) We have evaluated and classified any subsequent events as recognized or non-recognized through the date of this letter. No events, including instances of non-compliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
- 36) As part of nonaudit services, you performed the annual land owner's proxy count. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services.

Signature: Leo Demesky

Title: Board Secretary

Signature: Jill See

Title: ADMINISTRATOR

⋮

9850 Light Avenue  
Hastings, FL 32145  
Phone (904) 692-1513  
Fax (904) 692-5919  
www.ferwcd.us

# Flagler Estates Road & Water Control District

October 17, 2023

Carr, Riggs & Ingram, LLC  
7411 Fullerton Street, Ste 300  
Jacksonville, Florida 32256

In connection with your examination of Flagler Estates Road and Water Control District's (the "District") compliance with Section 218.415, Florida Statutes, Local Government Investment Policies (the "Statute") for the year ended September 30, September 30, 2022, for the purpose of expressing an opinion about whether the District has complied with the Statute, in all material respects, we confirm, to the best of our knowledge and belief, the following representations made to you during the course of your engagement:

- 1) The District is in compliance with the Statute.
- 2) We are responsible for complying with the Statute and for our assertion about such compliance.
- 3) We are responsible for establishing and maintaining effective internal control over compliance.
- 4) We have performed an evaluation of the District's compliance with the Statute
- 5) All relevant matters are reflected in the evaluation of the District's compliance with the Statute.
- 6) We have disclosed to you all deficiencies in internal control relevant to compliance with the Statute of which we are aware.
- 7) We have disclosed knowledge of any actual, suspected, or alleged fraud or noncompliance with laws or regulations affecting the District's compliance with the Statute.
- 8) We have disclosed any known events subsequent to September 30, 2022 that would have a material effect on the District's compliance with the Statute or its assertion about such compliance.
- 9) We believe the effects of noncompliance are immaterial, individually and in the aggregate, to compliance with the Statute.
- 10) We have disclosed to you all known noncompliance with the Statute, including noncompliance occurring after September 30, 2022.
- 11) Under the terms of the agreement, we have provided you with all relevant information and access to information and personnel in connection with your examination of the District's compliance with the Statute.
- 12) We have disclosed to you all known matters that may contradict the District's compliance with the Statute during or subsequent to the period covered by your report, and we have disclosed to you all communications from regulatory agencies, other independent accountants or consultants, and others regarding possible noncompliance with the Statute, including communications received between September 30, 2022 and October 17, 2023.
- 13) We have responded fully to all inquiries made to us by you during the engagement

Signature: *Go Venezy*  
Title: Board Secretary

Signature: *Jinda Lee*  
Title: Administrator

⋮