

**LAKE REGION LAKES
MANAGEMENT DISTRICT**

**BASIC FINANCIAL STATEMENTS,
TOGETHER WITH REPORTS OF
INDEPENDENT AUDITOR**

SEPTEMBER 30, 2022

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Independent Auditor's Report

Board of Commissioners
Lake Region Lakes Management District
Winter Haven, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of Lake Region Lakes Management 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the District as of September 30, 2022, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-6 and 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 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 under the heading INDEPENDENT AUDITOR'S 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*. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Ashley, Brown & Smith, CPAs

Punta Gorda, Florida
June 16, 2023

**MANAGEMENT'S
DISCUSSION & ANALYSIS**

LAKE REGION LAKES MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2022

This report is a financial discussion about the Lake Region Lakes Management District (the "District"), an independent special district. The report is from the perspective of the financial office and is based on last year's audit, this current year's audit, and personal knowledge of the District's financial wellbeing. The discussion will be in reference to the current year's audit with a comparison to last year's audit.

Overview of the Financial Statements

This annual report consists of two parts-management's discussion and analysis (this section), and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District government, reporting the District's operations in more detail than the government-wide statements.
- The governmental fund statements tell how general government services were financed in the short term as well as what remains for future spending.

The Lake Region Lakes Management District does not currently have any component units. For this reason, the discussions will be solely about the primary government.

In general terms, the overall financial condition of the Lake Region Lakes Management District is quite good. Every effort is made to keep taxes low and not raise them. This is reflected in the tax revenues or incomes remaining very similar from year to year.

Since the goals of the agency are somewhat determined by its charter, and since it takes an act of the state legislature to change the charter, the budgeted items remain similar from year to year. From time to time, unexpected issues may occur, which are beyond the control of the District, and may result in the delay of a planned project. When this happens, there may be a variation between what was budgeted and what was spent.

Using the numbers from last year's audit and this year's audit, a more specific analysis will be presented.

LAKE REGION LAKES MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Assets

The District's assets consist of the following:

	<u>2022</u>	<u>2021</u>
Assets:		
Current assets	\$ 1,182,361	\$ 1,011,013
Capital assets, (net of depreciation)	<u>4,370,840</u>	<u>4,405,652</u>
Total assets	<u>\$ 5,553,201</u>	<u>\$ 5,416,665</u>

Capital Assets

As of September 30, 2022, the district had invested \$4,370,840 (net of depreciation) in a broad range of capital assets. This amount represents a net decrease of \$34,812 over last year. This decrease is primarily due to depreciation expenses realized on capital assets.

Capital Assets at September 30, 2022 are comprised of:

Land	\$ 1,804,748
Buildings	867,246
Seawalls & Lock Systems	2,129,253
Machinery & Equipment	<u>989,391</u>
Subtotal	5,790,638
Less: accumulated depreciation	<u>(1,419,798)</u>
Total capital assets, net	<u>\$ 4,370,840</u>

Liabilities

The District's liabilities consist of the following:

	<u>2022</u>	<u>2021</u>
Liabilities:		
Accounts payable	\$ 17,666	\$ 132,979
Accrued liabilities	21,279	20,238
Compensated absences	<u>24,205</u>	<u>44,830</u>
Total liabilities	<u>\$ 63,150</u>	<u>\$ 198,047</u>

The District's current liabilities consist primarily of accrued monthly bills that have not been paid. Total liabilities decreased by \$134,897. This decrease is primarily timing of when invoices are received and paid.

LAKE REGION LAKES MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Net Position

Net position consist of the following:

	<u>2022</u>	<u>2021</u>
Net position		
Invested in capital assets	\$ 4,370,840	\$ 4,405,652
Unrestricted	<u>1,119,211</u>	<u>812,966</u>
Total net position	<u>\$ 5,490,051</u>	<u>\$ 5,218,618</u>

Net position increased by \$271,433.

Revenues

Revenues consist of the following:

	<u>2022</u>	<u>2021</u>
Revenues:		
Ad valorem taxes	\$ 1,444,397	\$ 1,365,974
Miscellaneous income	<u>97,409</u>	<u>79,713</u>
Total revenues	<u>\$ 1,541,806</u>	<u>\$ 1,445,687</u>

The primary source of revenue for the District comes from ad valorem taxes. This year's tax income of \$1,444,397 is \$78,423 higher than last year's income of \$1,365,974. This is primarily due to a slight increase in property values.

Budgeted Expenditures vs. Actual Expenditures

	<u>2022</u>	<u>2021</u>
Total expenditures:		
Actual expenditures	\$ 1,351,019	\$ 1,392,995
vs.		vs.
Budgeted expenditures	\$ 1,919,050	\$ 1,506,909

LAKE REGION LAKES MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Summary

Overall, the Lake Region Lakes Management District's financial position is excellent. The District has sufficient income to make needed repairs and planned improvements. The District's infrastructure of buildings, equipment, canals, water control structures, and boat launching parks are all in good condition. Questions regarding the District can be addressed to Mr. Roger Griffiths, Executive Director at (863) 293-1441.

**BASIC
FINANCIAL STATEMENTS**

LAKE REGION LAKES MANAGEMENT DISTRICT

STATEMENT OF NET POSITION

September 30, 2022

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 976,409
Inventory	174,179
Prepaid Expenses	<u>31,773</u>
Total current assets	<u>1,182,361</u>
Noncurrent assets:	
Capital assets:	
Land	1,804,748
Depreciable buildings, equipment, office equipment and vehicles (net of \$1,419,798 accumulated depreciation)	<u>2,566,092</u>
Total noncurrent assets	<u>4,370,840</u>
TOTAL ASSETS	<u>5,553,201</u>
LIABILITIES	
Current liabilities:	
Accounts Payable	17,666
Accrued liabilities	<u>21,279</u>
Total current liabilities	<u>38,945</u>
Noncurrent liabilities:	
Compensated absences	<u>24,205</u>
Total noncurrent liabilities	<u>24,205</u>
TOTAL LIABILITIES	<u>63,150</u>
NET POSITION	
Investment in capital assets, net of related debt	4,370,840
Unrestricted	<u>1,119,211</u>
TOTAL NET POSITION	<u>\$ 5,490,051</u>

The accompanying notes are an integral part of this statement.

LAKE REGION LAKES MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES
Year Ended September 30, 2022

Functions/Programs	Expenses	Net Expense & Changes in Net Position
Primary government:		
Governmental activities:		
Conservation & Resource Management	\$ 1,270,373	\$ (1,270,373)
General revenues:		
Ad valorem taxes		1,444,397
Miscellaneous		97,409
Total general revenues		1,541,806
Change in net position		271,433
Net position, beginning of the year		5,218,618
Net position, end of the year		\$ 5,490,051

The accompanying notes are an integral part of this statement.

LAKE REGION LAKES MANAGEMENT DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2022

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 976,409
Inventory	174,179
Prepaid expenses	<u>31,773</u>
TOTAL ASSETS	<u><u>\$ 1,182,361</u></u>
 LIABILITIES AND FUND BALANCE	
 LIABILITIES	
Accounts payable	\$ 17,666
Accrued liabilities	<u>21,279</u>
TOTAL LIABILITIES	<u>38,945</u>
 FUND BALANCE	
Nonspendable	205,952
Unassigned	<u>937,464</u>
TOTAL FUND BALANCE	<u>1,143,416</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 1,182,361</u></u>

The accompanying notes are an integral part of this statement.

LAKE REGION LAKES MANAGEMENT DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
September 30, 2022

		<u>Amount</u>
Total fund balances for governmental funds		\$ 1,143,416
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported on the balance sheet.</p>		
Compensated absences	<u>\$ (24,205)</u>	(24,205)
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
<p>Capital assets not being depreciated:</p>		
Land		1,804,748
<p>Governmental capital assets being depreciated:</p>		
Building, Equipment and Vehicles	3,985,890	
Less: Accumulated Depreciation	<u>(1,419,798)</u>	<u>2,566,092</u>
Total net position of governmental activities		<u><u>\$ 5,490,051</u></u>

LAKE REGION LAKES MANAGEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended September 30, 2022

REVENUES	
Ad valorem taxes	\$ 1,444,397
Miscellaneous	97,409
TOTAL REVENUES	<u>1,541,806</u>
EXPENDITURES	
Current	
General Government	
Liability & property insurance	45,764
Health insurance	108,574
Consultants & contractors	617
Labor, salaries & wages	503,829
Licenses & taxes	205
Utilities	12,012
Office supplies	6,918
Operational supplies	19,074
Engineering	8,956
Equipment purchases - Major	108,108
Equipment purchases - Minor	3,017
Repairs & maintenance	90,898
Telephone	4,658
Payment to other government units	442
General projects	36,526
Accounting & legal	66,412
Fuel	37,074
Advertising	3,450
Bank charges	(4)
Weed control & county aid	9,234
Commissioner's expense	12,000
Commission expense	49,939
Materials	4,311
Miscellaneous	7,484
Landscaping	22
Equipment rental	1,393
Payroll taxes	52,833
Retirement contribution	62,440
TOTAL EXPENDITURES	<u>1,256,186</u>
EXCESS REVENUES OVER	
(UNDER) EXPENDITURES	285,620
FUND BALANCES - Beginning of the year	<u>857,796</u>
FUND BALANCES - End of the year	<u><u>\$ 1,143,416</u></u>

LAKE REGION LAKES MANAGEMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended September 30, 2022

	Amount
Net change (expenditures in excess of revenues and other financing sources) in fund balances - total governmental funds	\$ 285,620

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets	\$ 108,108	
Less: current year depreciation	(142,920)	(34,812)

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

Change in compensated absences	20,625
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Change in net position of governmental activities	\$ 271,433
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LAKE REGION LAKES MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2022

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

The accounting policies of Lake Region Lakes Management District (the "District") conform to accounting principles generally accepted in the United States of America as applicable to government units. The accompanying summary of significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be reviewed as an integral part of the accompanying financial statement.

Reporting Entity

The Lake Region Lakes Management District, located in Winter Haven, Florida, is a special taxing district of Polk County, Florida, created by act of the Florida Legislature Chapter 8378 of 1919, as amended, whose purpose is to:

- 1) Improve, protect and maintain the water quality of the lakes within the District,
- 2) Build and maintain a system of canals connecting the lakes within the District,
- 3) Conserve water within the District,
- 4) Promote and improve public access to the lakes and canals within the District.

The District is governed by an elected Board of Commissioners.

Government-wide Financial Statements

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the District as a whole. Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by intergovernmental and general revenues.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability in the government-wide financial statements, rather than as expenditures.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operating activities or capital improvements of a particular function. Program revenues are considered to be revenues generated by services performed as well as operating and capital grants. Taxes and other revenue sources not properly included with program revenues are reported as general revenue.

LAKE REGION LAKES MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2022

Note 1 - Organization and Summary of Significant Accounting Policies, Continued

Government-wide Financial Statements, Continued

The purpose of the government-wide financial statements is to allow the user to be able to determine if the District is in a better or worse financial position than the prior year.

Fund Financial Statements

Governmental Funds

The District implemented the Governmental Accounting Standards Board Statement 54 - *Fund Balance Reporting and Governmental Fund Type Definitions*. The Statement requires the fund balance for governmental funds to be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The classifications include non-spendable, restricted, committed, assigned and unassigned.

The District has various policies governing the fund balance classifications.

Nonspendable Fund Balance – This classification consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance – This classification includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed Fund Balance – This classification consists of amounts that can only be used for specific purposes pursuant to the constraints imposed by a formal action of the government's highest level of decision making authority.

Assigned Fund Balance – This classification consists of the Board of Supervisors' intent to be used for specific purposes, but are neither restricted nor committed. The assigned fund balances can also be assigned by the District's management company.

Unassigned Fund Balance – This classification is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Unassigned fund balance is considered to be utilized first when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Fund Balance Spending Hierarchy – When restricted, committed, assigned, and unassigned fund balances are combined in a fund, qualified expenditures are paid first from restricted or committed fund balance, as appropriate, then assigned and finally unassigned fund balances.

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

LAKE REGION LAKES MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2022

Note 1 - Organization and Summary of Significant Accounting Policies, Continued

Measurement Focus and Basis of Accounting, Continued

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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial 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 a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance.

There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the District; therefore, revenues are recognized based upon the expenditures recorded and the availability criteria. In the other, monies are virtually unrestricted as to purpose of expenditure, and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

Charges for services and miscellaneous revenues are generally recorded as revenue when received in cash, because they are generally not measurable until actually received. In the category of use of money and property, property rentals are recorded as revenue when received in cash, but investment earnings are recorded as earned, since they are measurable and available.

Assets, Liabilities and Net Position or Equity

-Cash

Cash includes amounts in demand deposits and money market funds and certificates of deposits with terms of ninety days or less. The District's deposits at September 30, 2022 were entirely covered by federal depository insurance or guaranteed by qualified public depositories in Florida pursuant to Chapter 280.07, Florida Statutes.

LAKE REGION LAKES MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2022

Note 1 - Organization and Summary of Significant Accounting Policies, Continued

Assets, Liabilities and Net Position or Equity, Continued

-Inventories and Prepaid Items

Inventories are stated at cost on the basis of the "first-in, first-out" (FIFO) method of accounting. Inventories of materials are reported using the consumption method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. On September 30, 2022, the District had a balance of prepaid expenditures in the amount of \$31,773.

-Capital Assets

Capital assets, including land, buildings, improvements, infrastructure, and equipment assets, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,000 and an initial life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of the donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Due to the District's small size, it is not required to capitalize canal structures and other infrastructure costs occurring prior to October 1, 2003, and it has not done so. Beginning on October 1, 2003, however, Governmental Accounting Standards Board (GASB) Statement No. 34 requires infrastructure additions after that date to be capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized.

Maintenance, repairs and minor renovations are not capitalized, however, expenditures that materially increase values, change capacities, or extend useful lives are capitalized.

Expenditures for capital assets are recorded in the fund statements as current expenditures. However, such expenditures are not reflected as expenditures in the government-wide financial statements, but rather are capitalized and depreciated.

Depreciation is provided using the straight-line method over the estimated useful lives of the various classes of depreciable assets as follows:

<u>Assets</u>	<u>Years</u>
Buildings	30-50
Seawalls, boat ramps and lock systems	15-40
Improvements other than buildings	10-35
Equipment	3-10

LAKE REGION LAKES MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2022

Note 1 - Organization and Summary of Significant Accounting Policies, Continued

Assets, Liabilities and Net Position or Equity, Continued

-Accumulated Unused Compensated Absences

The District records the "vested" portion of accumulated unused compensated absences at each year-end based on each employee's accumulated unused hours and rate of pay. Maximum accrual is 120 hours of annual leave and 96 hours of sick leave. The employee will be required to forward at least 8 hours of their accrued sick time to the new fiscal year.

-Long-term Obligations

In government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities' statement of net position. In the fund financial statements, governmental fund types report the loan proceeds as other financing sources.

-Fund Equity

In the fund financial statements, governmental funds report reservation of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plants that are subject to change.

-Net Position

Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position invested in capital assets, net of related debt excludes unspent debt proceeds. Net on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted resources are used first to fund appropriations.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources (net position) are available.

-Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal, and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State regulating tax assessment are designed to assure a consistent property valuation method statewide.

The tax levy of the District is established by the District Commission prior to October 1 of each year, and the Polk County Property Appraiser incorporates the millages into the total tax levy, which includes the municipalities, independent districts, and County School Board tax requirements.

LAKE REGION LAKES MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2022

Note 1 - Organization and Summary of Significant Accounting Policies, Continued

Assets, Liabilities and Net Position or Equity, Continued

-Property Taxes, Continued

All property is reassessed according to its fair market value on January 1 of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the roll meets all of the appropriate requirements of State Statutes.

All taxes are due and payable on November 1 (levy date) of each year or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. The taxes paid in March are without a discount.

Delinquent taxes on real property bear interest of up to 18% per year. On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years; unsold certificates are held by the County. Delinquent taxes on personal property bear interest of up to 18% per year until the tax satisfied either by seizure and sale of the property or by the five-year statute of limitations.

-Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America, as applicable to government entities, requires management to make use of estimates that affect the reported amounts in the basic financial statements. Actual results could differ from estimates.

Note 2 - Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

The District has adopted an annual budget for the General Fund.

The District follows these procedures in establishing the budgetary data reflected in the financial

A. The District Manager submits to the District Commission a proposed operating budget for the ensuing fiscal year. The operating budget includes proposed expenditures and the sources of revenues to finance those expenditures. The budget is prepared using the a non-GAAP basis of accounting with encumbrances included as budgetary basis expenditures.

B. Public hearings are conducted to obtain taxpayer comments.

LAKE REGION LAKES MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2022

Note 2 - Stewardship, Compliance, and Accountability, Continued

Budgets and Budgetary Accounting, Continued

- C. The budget is approved by the Commission and becomes the basis for the millage levied by the Commission.
- D. The District Commission must approve all budget transfers.
- E. The District adopts an annual budget for the General Fund on the cash basis at the fund level, which is a basis that is inconsistent with accounting principles generally accepted in the United States.
- F. Budget amounts are as originally adopted, and as amended. The District Commission may legally amend the budget throughout the year providing it complies with the budget hearing requirements set forth in Florida statutes. Appropriations not expended at the end of each fiscal year lapse and become subject to future appropriations.
- G. It is unlawful to expand or contract for the expenditure, in any fiscal year, of more than the amount appropriated by the District Commission. The Commission appropriates monies for expenditures on a fund basis.

Note 3 - Cash and Investments

-Custodial Credit Risk

Custodial Credit risk is defined as the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its securities that are in the possessions of an outside party.

As of September 30, 2022 the District's book balance of cash deposits was \$976,209 and the bank balance was \$1,029,055. The District has \$200 on hand as petty cash. The District's bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for each banking relationship. The remaining balances are collateralized pursuant to Chapter 280, Florida Statutes. The District's investment policy requires that deposits be entirely covered by federal depository insurance by collateral pledged with the State Treasurer pursuant to Chapter 280, Florida Statutes. Under this Chapter, in the event of default by participating institutions are obligated to reimburse the governmental entity for the loss.

-Interest Rate Risk

The District does not have formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

LAKE REGION LAKES MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2022

Note 3 - Cash and Investments, Continued

-Credit Risk

Florida Statutes allow the District Commission to invest its surplus public funds in its control or possession

-The local Government Surplus Funds Trust

-Obligations of, or unconditionally guaranteed by, the United States Government

-Risks of Loss

The District is exposed to the risks of loss and mitigates those risks with the purchase of commercial insurance with coverages and deductibles within the parameters established by management. Management reviews these parameters annually and makes adjustments when deemed appropriate.

Interest-bearing time deposits of banks and savings and loan associations organized under the laws of Florida or the United States situated in Florida, provided such deposit is secured by collateral.

Obligations of the Federal Farm Credit Banks, Federal Home Loan Mortgage Corporation, or Federal Home Loan Bank or obligations guaranteed by the Government National Mortgage Association. Securities of any management type investment company or investment trust provided the portfolio of such investment company or investment States Government obligations and to repurchase agreements collateralized by such United States Government obligations.

-Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer.

Note 4 - Defined Contribution Retirement Plan

Plan Description

The Lake Region Lakes Management District Profit Sharing Plan and Trust is a defined contribution pension plan established by Lake Region Lakes Management District in 1998 to provide benefits at retirement to substantially all employees of the District. Employees become eligible for participation in the plan after completing one year of service. Plan benefits vest at a rate of 20% per year and become fully vested after six years of service. At September 30, 2022 the plan had ten active, eight inactive, and nine ineligible members.

The Lake Region Lakes Management District's total payroll in the fiscal years 2021 and 2022 were \$497,827 and \$503,829, respectively. The covered payroll for plan members was \$502,058 for 2021, and \$503,829 for 2022. Employer contributions are discretionary and determined annually by the Commission. The plan does not allow employee contributions. For the years ended September 30, 2021 and 2022, employer contributions totaled \$62,405 and \$62,440, respectively, which was 12.43% and 11.93% of the covered compensation.

LAKE REGION LAKES MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2022

Note 5 - Long-Term Debt

The following is a summary of changes in long-term liabilities for the fiscal year ended September 30,

	Balance Oct. 1, 2021	Additions	Deductions	Balance Sept. 30, 2022
Compensated Absences	\$ 44,830	\$ -	\$ (20,625)	\$ 24,205
Total	<u>\$ 44,830</u>	<u>\$ -</u>	<u>\$ (20,625)</u>	<u>\$ 24,205</u>

Note 6 - Other Post Employment Benefits (OPEB)

The Governmental Accounting Standards Board has issued Statement No. 75, "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions (OPEB)." This Statement changes the manner in which a governmental entity funds and records its post-retirement benefit costs other than pensions.

The District provides insurance (medical and prescription drug) benefits to its current employees and offers all vested (vested is defined by District's retirement plan) former employees the option of receiving these same benefits provided they pay 100% of the premium. Therefore, the District's only OPEB liability is for the implicit rate subsidy offered to the retiree. An implicit rate subsidy is the difference between a premium rate charged to retirees for a particular benefit and the estimated rate that would be applicable to those retirees if that benefit was acquired for them as a separate group. As of September 30, 2021, there were no retirees receiving these benefits and only eight active employee participants in the insurance benefit plan.

The District has decided to finance these benefits on a pay-as-you-go basis and recognize expenses in the year the premium is due. The District's previous experience has been that none of its vested retirees have opted to remain on the District's retirement plan after their retirement date. The District believes the implicit OPEB liability is immaterial, as such; there is no actuarially determined net OPEB obligation at September 30, 2022.

LAKE REGION LAKES MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2022

Note 7 - Changes in General Fixed Assets

The following is a summary of changes in capital assets activity for the year ended:

	Balance Oct. 1, 2021	Additions	Deletions	Adjustments/ Reclass	Balance Sept. 30, 2022
Capital Assets Not Being Depreciated:					
Land	\$1,804,748	\$ -	\$ -	\$ -	\$ 1,804,748
Total Capital Assets Not Being Depreciated	1,804,748	-	-	-	1,804,748
Capital Assets Being Depreciated:					
Buildings and improvements	867,246	-	-	-	867,246
Seawall and lock systems	2,129,253	-	-	-	2,129,253
Machinery and equipment	881,283	108,108	-	-	989,391
Total Capital Assets Being Depreciated	3,877,782	108,108	-	-	3,985,890
Less Accumulated Depreciation:					
Buildings and improvements	(283,560)	(27,602)	-	-	(311,162)
Seawall and lock systems	(433,262)	(53,882)	-	-	(487,144)
Machinery and equipment	(560,056)	(61,436)	-	-	(621,492)
Total Accumulated Depreciation	(1,276,878)	(142,920)	-	-	(1,419,798)
Total Capital Assets Being Depreciated, net	2,600,904	(34,812)	-	-	2,566,092
Capital Assets, net	\$4,405,652	\$ (34,812)	\$ -	\$ -	\$ 4,370,840

**REQUIRED SUPPLEMENTARY
INFORMATION**

LAKE REGION LAKES MANAGEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
NON-GAAP BUDGETARY BASIS AND ACTUAL SUMMARY STATEMENT
Year Ended September 30, 2022

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Ad valorem taxes	\$ 1,634,581	\$ 1,634,581	\$ 1,444,397	\$ (190,184)
Other income	20,000	20,000	97,409	77,409
TOTAL REVENUES	<u>1,654,581</u>	<u>1,654,581</u>	<u>1,541,806</u>	<u>(112,775)</u>
EXPENDITURES				
Current				
General Government				
Liability & property insurance	61,000	61,000	45,764	15,236
Health insurance	141,000	141,000	108,574	32,426
Consultants & contractors	25,000	25,000	617	24,383
Labor, salaries & wages	635,000	635,000	503,829	131,171
Licenses & taxes	250	250	205	45
Utilities	13,000	13,000	12,012	988
Office supplies	5,500	5,500	6,918	(1,418)
Operational supplies	20,000	20,000	19,074	926
Engineering	75,000	75,000	8,956	66,044
Equipment purchases - Major	270,000	270,000	108,108	161,892
Equipment purchases - Minor	5,000	5,000	3,017	1,983
Repairs & maintenance	75,000	75,000	90,898	(15,898)
Telephone	4,500	4,500	4,658	(158)
Payment to other government units	1,000	1,000	442	558
General projects	100,000	100,000	36,526	63,474
Accounting & legal	60,000	60,000	66,412	(6,412)
Fuel	35,000	35,000	37,074	(2,074)
Advertising	3,000	3,000	3,450	(450)
Bank Charges	100	100	(4)	104
Weed control & county aid	10,000	10,000	9,234	766
Commissioner's expense	12,000	12,000	12,000	-
Commissions to Tax Collector	55,000	55,000	49,939	5,061
Materials	150,000	150,000	99,144	50,856
Miscellaneous	8,000	8,000	7,484	516
Landscaping	4,500	4,500	22	4,478
Equipment rental	10,000	10,000	1,393	8,607
Payroll taxes	50,000	50,000	52,833	(2,833)
Retirement contribution	85,000	85,000	62,440	22,560
Land Acquisition & improvement	200	200	-	200
Capital Improvements	5,000	5,000	-	5,000
TOTAL EXPENDITURES	<u>1,919,050</u>	<u>1,919,050</u>	<u>1,351,019</u>	<u>568,031</u>
EXECSS REVENUES OVER (UNDER) EXPENDITURES	(264,469)	(264,469)	190,787	455,256
OTHER FINANCING SOURCES (USES)				
Use of fund balance	264,469	264,469	-	(264,469)
TOTAL OTHER FINANCING SOURCES (USES)	<u>264,469</u>	<u>264,469</u>	<u>-</u>	<u>(264,469)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	190,787	<u>\$ 190,787</u>
FUND BALANCE, Beginning of year			857,796	
Increase (decrease) in non-spendable inventory*			<u>94,833</u>	
FUND BALANCE - End of year			<u>\$ 1,143,416</u>	

*The budget is prepared on the cash basis of accounting. This amount is needed to reconcile to the GAAP basis presentation of inventory.

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

Board of Commissioners
Lake Region Lakes Management District
Winter Haven, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of Lake Region Lakes Management 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, and have issued our report thereon dated June 16, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings (page 30) as 2022-001-Audit Adjustment (prior years 2021/2020-001) that we consider to be a material weakness and 2022-002-Journal Entries that we consider to be a significant deficiency.

Compliance and Other Matters

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

Lake Region Lakes Management District's Response to Finding

The District's response to the finding identified in our audit are described in the accompanying Corrective Action Plan (page 31). The District's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

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

Ashley, Brown & Smith, CPAs

Punta Gorda, Florida
June 16, 2023

MANAGEMENT LETTER

Board of Commissioners
Lake Region Lakes Management District
Winter Haven, Florida

Report on the Financial Statements

We have audited the financial statements of the Lake Region Lakes Management District, Florida, (the "District") as of and for the fiscal year ended September 30, 2022, and have issued our report thereon dated June 16, 2023.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 16, 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 annual financial audit report. Corrective actions have not been taken to address the finding and recommendation made in the preceding financial audit report as noted below.

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	FY2021 Finding #	FY 2020 Finding #
2022-001	2021-001	2020-001

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The District discloses this information in the notes to the financial statements.

Financial Condition and Management

Section 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 Lake Region Lakes Management District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the 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. It is management's responsibility to monitor the Authority's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 219.39(3)(b), Florida Statutes. In connection with our audit, we determined that there are no special district component units required to report to the District.

Specific Information

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

- a. The total number of district employees compensated in the last pay period of the district's fiscal year as 13.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year as 0.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$503,829.
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as 0.
- 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 n/a (provide list).
- 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. The FY22 budget was not amended.

Specific Information, Continued

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)7, Rules of the Auditor General, the (name of district) reported:

- a. The millage rate or rates imposed by the district as _____.4100_____.
- b. The total amount of ad valorem taxes collected by or on behalf of the district as ___\$1,496,843___.
- c. The total amount of outstanding bonds issued by the district and the terms of such bonds as __zero__.

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 have any such findings.

Purpose of this Letter

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

Ashley, Brown & Smith, CPAs

Punta Gorda, Florida
June 16, 2023

REPORT OF INDEPENDENT ACCOUNTANT ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES

Board of Commissioners
Lake Region Lakes Management District
Winter Haven, Florida

We have examined the Lake Region Lakes Management District's (the "District") compliance with Section 218.415, Florida Statutes, Local Government Investment Policies for the year ended September 30, 2022. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, 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 judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

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

The purpose of this report is to comply with the audit requirements of Sections 218.415, Florida Statutes and Rules of the Auditor General.

Ashley, Brown & Smith, CPAs

Punta Gorda, Florida
June 15, 2023

LAKE REGION LAKES MANAGEMENT DISTRICT
SCHEDULE OF CURRENT AND PRIOR YEAR FINDINGS
September 30, 2022

Finding 2022-001 - (Prior Year(s) 2021/2020-001) Audit Adjustments (Material Weakness)

Condition: District management is responsible for establishing and maintaining internal controls for the proper recording of all the District's receipts and disbursements, including year-end accruals, and activity of all cash and investment accounts.

Criteria: As part of the audit, we proposed audit adjustments to revise the District's books at year-end. These adjustments involved the recording of accruals, reclassifications of revenues and disbursements to the proper accounts.

Cause: The District maintains its records on the cash basis and relies on the auditor to propose adjustments to convert from the cash basis to modified/accrual basis.

Effect: The District's lack of knowledge of GAAP increases the risk that the financial statements could be materially misstated as a whole. Financial statements would be materially misstated if significant adjustments were not made. The design of the controls over the financial reporting process affects the District's ability to report their financial data consistent with the assertions of management.

Recommendation: We understand that the comment for annual audit adjustments is a material weakness that is already known to management and represents a conscious decision by management and the Board to accept that degree of risk because of cost or other considerations. It is recommended that the District engage assistance in ensuring that all adjustments are properly recorded in the accounting records pursuant to generally accepted accounting principles.

We acknowledge the fact that management is responsible for making decisions concerning costs and the related benefits. We are responsible to communicate significant deficiencies and material weaknesses in accordance with professional standards regardless of management's decisions to ensure that the Board is aware of this situation.

Finding 2022-002 - Journal Entries (Significant Deficiency)

Condition: District management is responsible for establishing and maintaining internal controls for the proper recording of all journal entries recorded in the general ledger.

Criteria: As part of our audit, we performed procedures and reviewed internal controls over journal entries recorded in the general ledger. Journal entries are an important accounting function as they are not only used to record some types of transactions on a daily basis but they can also be used to correct the original postings and also modify financial reporting.

Cause: Based on our inquiries and procedures, we noted that staff is preparing and posting all required journal entries in QuickBooks, however these entries were not reviewed or approved by someone other than the preparer when recorded.

Effect: Segregation of duties over preparing and approval of journal entries is essential to prevent errors and unauthorized posting of transactions which could potentially result in fraudulent financial reporting or misappropriation of assets. In order to obtain adequate segregation of duties, journal entries posted to the general ledger should be reviewed and approved by someone other than the person proposing the entry. The review and approval should include a review of the supporting information used to develop the journal entry.

Recommendation: We recommend that the District review its current internal controls and process over journal entries and consider implementing a control whereby each journal entry and its supporting documentation is manually reviewed and approved by someone other than the person who prepared it and who is qualified to perform the review. In addition, we recommend that the process should include producing a report on a monthly basis of all journal entries posted to the general ledger which is then compared to the manually-approved journal entries to ensure that all journal entries that were posted were properly approved and were posted correctly.

SINCE 1919

**804 Avenue X, South West
Winter Haven, Florida 33880-4342**



CANAL COMMISSION

**(863) 293-1441
FAX (863) 293-0729**

Corrective Action Plan

June 16, 2023


In response to the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, the District Issues the following response:

Management Response to Finding 2022-001 – Audit Adjustments

With respect to the Audit Adjustments finding, it would be cost prohibitive to engage another accounting firm to assist in ensuring that all adjustments are properly recorded in the accounting records as required pursuant to generally accepted accounting principles; consequently, the District declines to do so at this time.

Management Response to Finding 2022-002 – Journal Entries

We agree with the Journal Entry finding. We are in the process of reviewing our internal control policies for ways to incorporate the auditor's recommendations.

 Executive Director 6/15/23
SIGNED TITLE DATE