

**LAKE REGION LAKES
MANAGEMENT DISTRICT**

SEPTEMBER 30, 2025

**FINANCIAL STATEMENTS
TOGETHER WITH REPORTS OF INDEPENDENT AUDITORS**

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities of the Lake Region Lakes Management District (the "District"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the District as of September 30, 2025, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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; 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.

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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, 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 a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters - Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and other required supplementary 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.

Other Matters - Required Supplementary Information, Continued

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 26, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Ashley, Brown & Smith, CPAs

Punta Gorda, Florida

June 26, 2026

**MANAGEMENT'S
DISCUSSION & ANALYSIS**

LAKE REGION LAKES MANAGEMENT DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

Year Ended September 30, 2025

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.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the 2025 fiscal year by \$6,380,553.
- The District's total net position increased by \$283,962.
- As of the close of the fiscal year 2025, the District reported ending fund balance of \$2,008,624, an increase of \$217,515 from the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District’s financial statements. This report also includes other supplementary information in addition to the financial statements themselves.

The Statement of Net Position (page 8) and the Statement of Activities (page 9) provide information about the activities of the District and present a longer-term view of the District’s finances. The statements are measured and reported using the economic resource measurement focus and the full accrual basis of accounting.

The governmental financial statements begin on page 10. The governmental funds measure and report activities using the current financial resource measurement focus and the modified accrual basis of accounting. Therefore, you will find the reconciliation on pages 11 & 13 that convert this data to an economic resources measurement focus and the accrual basis of accounting for use in the financial statements. The Governmental Accounting Standards Board (GASB) Statement No. 34 provides the authoritative guidance on the governmental financial reporting model.

The Financial Statements

The Statement of Net Position and the Statement of Activities

Government-wide financial statements are intended to allow the reader to assess a government’s operational accountability. Operational accountability is defined as the extent to which the government has met its operating objectives efficiently and effectively, using all resources available for that purpose, and whether it can continue to meet its objectives for the foreseeable future. For purposes of these statements, only governmental type activities are measured and reported using the economic resource measurement focus and the accrual basis of accounting.

The statement of net position presents information on all of the District’s assets. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

The Financial Statements, Continued

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain financial control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 14.

Government-Wide Financial Analysis

The government-wide financial statements were designed so that the user could determine if the District is in a better or worse financial condition from the prior year. The following is a condensed summary of net position for the District for fiscal years 2025 and 2024.

Summary of Net Position
Fiscal Year Ended September 30,

	<u>2025</u>	<u>2024</u>
ASSETS		
Current and Other Assets	\$ 2,113,617	\$ 1,832,865
Capital Assets	<u>4,382,695</u>	<u>4,347,546</u>
Total Assets	<u>6,496,312</u>	<u>6,180,411</u>
 LIABILITIES		
Current and Other Liabilities	106,016	41,756
Long-Term Liabilities	<u>9,743</u>	<u>42,064</u>
Total Liabilities	<u>115,759</u>	<u>83,820</u>
 NET POSITION		
Net Investment in Capital Assets	4,382,695	4,347,546
Unrestricted	<u>1,997,858</u>	<u>1,749,045</u>
Total Net Position	<u><u>\$ 6,380,553</u></u>	<u><u>\$ 6,096,591</u></u>

Investment in capital assets totaled \$4,382,695, which represents 68.69 percent of total net position and is comprised of land, seawalls, buildings and equipment, net of accumulated depreciation.

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

Government-Wide Financial Analysis

The following schedule reports the revenues, expenses, and changes in net position for the District for the 2025 and 2024 fiscal years:

District's Changes in Net Position
Fiscal Year Ended September 30,

	<u>2025</u>	<u>2024</u>
REVENUES		
General Revenues		
Ad valorem taxes	\$ 1,774,597	\$ 1,718,911
Interest revenue	59,017	53,099
Miscellaneous revenue	65,939	88,946
Total Revenues	<u>1,899,553</u>	<u>1,860,956</u>
 EXPENSES		
Conservation and Resource Management	<u>1,615,591</u>	<u>1,410,713</u>
Total Expenses	<u>1,615,591</u>	<u>1,410,713</u>
 Increase in Net Position	283,962	450,243
 Net Position – Beginning	<u>6,096,591</u>	<u>5,646,348</u>
 Net Position – Ending	<u><u>\$ 6,380,553</u></u>	<u><u>\$ 6,096,591</u></u>

Total revenues increased by \$38,597 or 2.07%, compared to prior year primarily due to a \$55,686 increase in ad valorem revenue that helped offset a \$23,007 decrease in miscellaneous revenues.

Total expenses increased in comparison to the prior year by \$204,878 or 14.52 percent, primarily due to an increase in personnel services and projects in fiscal year 2025.

Capital Assets

The following table provides a summary of net capital assets.

	<u>2025</u>	<u>2024</u>
Land	\$ 1,813,338	\$ 1,813,338
Buildings and improvements	925,504	879,946
Seawall and lock systems	2,233,903	2,129,253
Machinery and equipment	1,193,853	1,177,287
Total assets	<u>6,166,598</u>	<u>5,999,824</u>
Less: Accumulated depreciation	<u>(1,783,903)</u>	<u>(1,652,278)</u>
Total assets, net of depreciation	<u><u>\$ 4,382,695</u></u>	<u><u>\$ 4,347,546</u></u>

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

Debt

At September 30, 2025, the District's outstanding debt was comprised of accrued compensated absences in the amount of \$10,766.

Budgeted Expenditures vs. Actual Expenditures

	<u>2025</u>	<u>2024</u>
Total expenditures:		
Actual expenditures	\$ 1,682,038	\$ 1,306,292
vs.		vs.
Budgeted expenditures	\$ 3,453,525	\$ 1,919,350

Economic Factors and Next Year's Budget and Millage Rate

The District relies on ad valorem taxes as its primary source of revenue. Taxable property value within the District increased by \$474,890,669 or 7.16% in 2025-26 compared to 2024-25.

The District's Board of Commissioners approved a budget lowering the millage rate to 0.3253 mills which is estimated to result in \$1,843,663 in ad valorem revenue, a decrease of \$53 over the 2024-25 fiscal year.

The District's Board of Commissioners approved a \$1,980,420 expenditures budget for the 2025-26 fiscal year, a decrease of \$14,230 over the prior year's budget.

Request for Information

The District's financial statements are designed to present users (citizens, customers, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about this report or need additional information, contact the District's Manager at (863) 293-1441.

**BASIC
FINANCIAL STATEMENTS**

LAKE REGION LAKES MANAGEMENT DISTRICT

Statement of Net Position

September 30, 2025

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,914,535
Inventory	141,432
Prepaid expenses	57,650
Total current assets	<u>2,113,617</u>

Noncurrent assets:

Capital assets:

Land	1,813,338
Depreciable assets, net of \$1,783,903 accumulated depreciation	2,569,357
Total noncurrent assets	<u>4,382,695</u>

TOTAL ASSETS	<u>6,496,312</u>
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LIABILITIES

Current liabilities:

Accounts payable	91,638
Accrued liabilities	13,355
Current portion of compensated absences	1,023
Total current liabilities	<u>106,016</u>

Noncurrent liabilities:

Compensated absences	9,743
Total noncurrent liabilities	<u>9,743</u>

TOTAL LIABILITIES	<u>115,759</u>
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NET POSITION

Net investment in capital assets	4,382,695
Unrestricted	<u>1,997,858</u>
TOTAL NET POSITION	<u>\$ 6,380,553</u>

The accompanying notes are an integral part of this statement.

LAKE REGION LAKES MANAGEMENT DISTRICT

Statement of Activities For the Fiscal Year Ended September 30, 2025

EXPENSES

Governmental Activities	
Conservation and Resource Management	
Personnel services	\$ 886,581
Operating expenses	583,612
Depreciation	145,398
Total program expenses	<u>1,615,591</u>
General revenues	
Ad valorem taxes	1,774,597
Interest revenue	59,017
Miscellaneous revenue	65,939
Total general revenues	<u>1,899,553</u>
Change in net position	283,962
Net position - beginning, October 1, 2024	<u>6,096,591</u>
Net position - ending, September 30, 2025	<u><u>\$ 6,380,553</u></u>

The accompanying notes are an integral part of this statement.

LAKE REGION LAKES MANAGEMENT DISTRICT

Balance Sheet - Governmental Fund

September 30, 2025

ASSETS

Cash and cash equivalents	\$ 1,914,535
Inventory	141,432
Prepaid expenses	<u>57,650</u>

TOTAL ASSETS	<u><u>\$ 2,113,617</u></u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 91,638
Accrued liabilities	<u>13,355</u>

TOTAL LIABILITIES	<u>104,993</u>
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FUND BALANCE

Nonspendable	199,082
Unassigned	<u>1,809,542</u>

TOTAL FUND BALANCE	<u>2,008,624</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 2,113,617</u></u>
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The accompanying notes are an integral part of this statement.

LAKE REGION LAKES MANAGEMENT DISTRICT

Reconciliation of the Balance Sheet to the Statement of Net Position

September 30, 2025

Fund balance	\$ 2,008,624
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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 not being depreciated:

Land	1,813,338
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Governmental capital assets being depreciated:

Buildings and improvements, seawall and lock systems, and machinery and equipment

\$ 4,353,260

Less: Accumulated Depreciation

(1,783,903)

2,569,357

Long-term liabilities are not due and payable in the current period and therefore are not reported on the balance sheet.

Compensated absences

(10,766)

Net position

\$ 6,380,553

LAKE REGION LAKES MANAGEMENT DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund For the Fiscal Year Ended September 30, 2025

REVENUES

Ad valorem taxes	\$ 1,774,597
Interest income	59,017
Miscellaneous	65,939
TOTAL REVENUES	<u>1,899,553</u>

EXPENDITURES

Current	
Conservation and Resource Management	
Personnel services	917,879
Operating expenditures	583,612
Capital outlay	180,547
TOTAL EXPENDITURES	<u>1,682,038</u>

EXCESS REVENUES OVER (UNDER) EXPENDITURES	217,515
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FUND BALANCE - Beginning of the year	<u>1,791,109</u>
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FUND BALANCE - End of the year	<u><u>\$ 2,008,624</u></u>
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The accompanying notes are an integral part of this statement.

LAKE REGION LAKES MANAGEMENT DISTRICT

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund to the Statement of Activities For the Fiscal Year Ended September 30, 2025

Net change in fund balance	\$	217,515
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In addition, gains and losses on the disposition of capital assets are recorded on the statement of activities; however, they are not reported on the statement of revenues, expenditures, and changes in net position. These amounts are as follows:

Expenditures for capital assets	\$	180,547	
Less: current year depreciation		<u>(145,398)</u>	35,149

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 the governmental funds.

Change in compensated absences		<u>31,298</u>
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Change in net position of governmental activities	\$	<u><u>283,962</u></u>
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LAKE REGION LAKES MANAGEMENT DISTRICT

Notes to the Financial Statements

September 30, 2025

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 governmental 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 statements.

Reporting Entity

The Lake Region Lakes Management District, located in Winter Haven, Florida, is a special taxing district of Polk County, Florida, created by an 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) Promote and improve public access to the lakes and canals within the District,
- 4) Conserve water within the District and protect and improve water quality by managing areas adjacent to waterways by maintaining cover crops such as hay and citrus for soil improvement.

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.

LAKE REGION LAKES MANAGEMENT DISTRICT

Notes to the Financial Statements

September 30, 2025

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

Government-wide Financial Statements, Continued

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

Fund Financial Statements

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 amounts intended by the Board of Commissioners to be used for specific purposes, but are neither restricted nor committed. The assigned fund balance can also be assigned by the District's management company.

Unassigned Fund Balance – This is the residual classification for the general fund. This classification represents fund balance that has not been restricted, committed, or assigned to specific purposes within the general fund. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

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, 2025

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 resource 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.

Cash

Cash includes amounts in demand deposits and money market funds and certificates of deposit with terms of ninety days or less. The District's deposits at September 30, 2025 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, 2025

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

Assets, Liabilities and Net Position or Equity

Inventories

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.

Prepaid Expenses

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. As of September 30, 2025, the District had a balance of prepaid expenditures in the amount of \$57,650.

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 acquisition value as of the date of donation.

Capital assets, including infrastructure assets acquired or constructed after the District's implementation of GASB Statement No. 34, are capitalized and depreciated, as applicable. Infrastructure assets acquired or constructed before implementation of GASB Statement No. 34 were not retroactively 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.

Capital Assets, Continued

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

Assets	Years
Buildings and improvements	15-40
Seawalls, boat ramps and lock systems	15-40
Equipment	5-10

LAKE REGION LAKES MANAGEMENT DISTRICT

Notes to the Financial Statements

September 30, 2025

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

Assets, Liabilities and Net Position or Equity, Continued

Compensated Absences

During fiscal year 2025, the District implemented GASB Statement No. 101, Compensated Absences. The implementation did not have an effect on beginning net position, fund balance, or previously reported long-term obligations. The District recognizes a liability for unused compensated absences when the leave is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid. The liability is measured at year-end based on accumulated unused leave hours that meet GASB 101 recognition criteria and employees' rates of pay as of the financial statement date.

District policy permits employees to accrue up to 120 hours of annual leave and 96 hours of sick leave. Employees are required to carry forward at least 8 hours of accrued sick leave into the new fiscal year.

Fund Accounting

The accounts of the District are organized and recorded in individual fund. The operations for the general fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures, as appropriate. Resources are allocated to and accounted for upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets 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. 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, 2025

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 is satisfied either by seizure and sale of the property or by the five-year statute of limitations.

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 statements:

- 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.
- B. Public hearings are conducted to obtain taxpayer comments.
- 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 accrual basis.
- F. Budget amounts are as originally adopted, and as amended. The District Commission may legally amend the budget throughout the year provided that 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.

LAKE REGION LAKES MANAGEMENT DISTRICT

Notes to the Financial Statements

September 30, 2025

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

Budgets and Budgetary Accounting

- G. It is unlawful to expend 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.

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 - Cash and Investments

In accordance with its policy, all District depositories are banks designated by the Florida Chief Financial Officer as qualified public depositories. Chapter 280 of the Florida Statutes "Florida Security for Public Deposits Act", provides procedures for public depositories to ensure public monies in banks and saving and loans are collateralized with the Florida Chief Financial Officer as agent for the public entities. Chapter 280 defines deposits as demand deposit accounts, time deposit accounts, and non-negotiable certificates of deposit.

Financial institutions qualifying as public depositories shall deposit with the Florida Chief Financial Officer eligible collateral at the pledging level required pursuant to Chapter 280. The Florida Security for Public Deposits Act has a procedure for the payment of losses in the event of a default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof, and therefore, the District is not exposed to custodial credit risk for its deposits.

At September 30, 2025, the carrying amount of the District's deposits was \$1,914,535 and the bank balance was \$1,937,741.

Note 3 - 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, 2025, the plan had seven active, three inactive, and seven ineligible members.

LAKE REGION LAKES MANAGEMENT DISTRICT

Notes to the Financial Statements

September 30, 2025

Note 3 - Defined Contribution Retirement Plan

Plan Description, Continued

The Lake Region Lakes Management District's total payroll in the fiscal years 2025 and 2024 were \$670,440 and \$565,445, respectively. The covered payroll for plan members were \$534,123 for 2025, and \$482,092 for 2024. Employer contributions are discretionary and determined annually by the Commission. The plan does not allow employee contributions. For the years ended September 30, 2025 and 2024, employer contributions totaled \$77,252 and \$72,314, respectively, which were 14.46% and 12.79% of the covered compensation.

Note 4 - Compensated Absences

The following is a summary of changes in long-term liabilities for the fiscal year ended September 30, 2025:

	Balance Oct. 1, 2024	Additions	Deductions	Balance Sept. 30, 2025	Due in One Year
Compensated Absences	\$ 42,064	\$ 103,171	\$ (134,469)	\$ 10,766	\$ 1,023
Total	<u>\$ 42,064</u>	<u>\$ 103,171</u>	<u>\$ (134,469)</u>	<u>\$ 10,766</u>	<u>\$ 1,023</u>

Note 5 - Other Postemployment 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, 2025, there were no retirees receiving these benefits and only six 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 liability at September 30, 2025.

LAKE REGION LAKES MANAGEMENT DISTRICT

Notes to the Financial Statements

September 30, 2025

Note 6 - Changes in Capital Assets

The following is a summary of capital asset activity for the year ended September 30, 2025:

	Balance Oct. 1, 2024	Additions	Deletions	Balance Sept. 30, 2025
Capital assets not being depreciated:				
Land	\$1,813,338	\$ -	\$ -	\$ 1,813,338
Total capital assets not being depreciated:	<u>1,813,338</u>	<u>-</u>	<u>-</u>	<u>1,813,338</u>
Capital assets being depreciated:				
Buildings and improvements	879,946	45,558	-	925,504
Seawall and lock systems	2,129,253	104,650	-	2,233,903
Machinery and equipment	1,177,287	30,339	(13,773)	1,193,853
Total capital assets being depreciated	<u>4,186,486</u>	<u>180,547</u>	<u>(13,773)</u>	<u>4,353,260</u>
Less accumulated depreciation:				
Buildings and improvements	(370,657)	(28,187)	-	(398,844)
Seawall and lock systems	(617,817)	(48,903)	-	(666,720)
Machinery and equipment	(663,804)	(68,308)	13,773	(718,339)
Total accumulated depreciation	<u>(1,652,278)</u>	<u>(145,398)</u>	<u>13,773</u>	<u>(1,783,903)</u>
Total capital assets being depreciated, net	<u>2,534,208</u>	<u>35,149</u>	<u>-</u>	<u>2,569,357</u>
Total capital assets	<u><u>\$4,347,546</u></u>	<u><u>\$ 35,149</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,382,695</u></u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

LAKE REGION LAKES MANAGEMENT DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - General Fund

For the Fiscal Year Ended September 30, 2025

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Ad valorem	\$ 1,759,419	\$ 1,759,419	\$ 1,774,597	\$ 15,178
Investment earnings	36,000	36,000	59,017	23,017
Miscellaneous income	-	-	65,939	65,939
Subtotal - revenues	1,795,419	1,795,419	1,899,553	104,134
Cash brought forward	99,231	1,658,106	-	(1,658,106)
TOTAL REVENUES	1,894,650	3,453,525	1,899,553	(1,553,972)
EXPENDITURES				
Conservation and Resource Management				
Personnel services				
Labor, salaries & wages	700,000	700,000	670,440	29,560
Payroll taxes	68,000	103,000	83,062	19,938
Health insurance	125,000	125,000	86,308	38,692
Retirement contribution	75,000	100,000	78,069	21,931
Total personnel services	968,000	1,028,000	917,879	110,121
Operating expenses				
Liability & property insurance	57,750	57,750	53,650	4,100
Consultants & contractors	25,000	25,000	34,133	(9,133)
Licenses & taxes	1,000	1,000	806	194
Utilities	23,000	23,000	16,136	6,864
Office supplies	6,000	6,000	1,891	4,109
Operational supplies	25,000	25,000	11,842	13,158
Engineering	50,000	50,000	7,500	42,500
Equipment purchases - Major	150,000	150,000	-	150,000
Equipment purchases - Minor	6,000	11,000	2,219	8,781
Repairs & maintenance	125,000	125,000	78,823	46,177
Telephone	5,000	5,000	4,747	253
Payment to other government units	1,500	1,500	457	1,043
General projects	100,000	200,000	137,592	62,408
Accounting & legal	75,000	75,000	84,330	(9,330)
Fuel	42,000	42,000	43,539	(1,539)
Advertising	2,100	3,600	2,822	778
Bank Charges	500	1,000	933	67
Weed control & county aid	10,500	10,500	10,903	(403)
Commissioner's expense	12,600	12,600	12,000	600
Commissions to Tax Collector	73,000	73,000	58,905	14,095

LAKE REGION LAKES MANAGEMENT DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - General Fund, Continued

For the Fiscal Year Ended September 30, 2025

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
EXPENDITURES				
General Government				
Operating expenses				
Materials	100,000	33,000	(4,195)	37,195
Miscellaneous	15,000	15,000	19,757	(4,757)
Landscaping	5,000	5,000	764	4,236
Equipment rental	10,000	10,000	4,058	5,942
Land Acquisition & improvement	200	200	-	200
Total operating expenses	921,150	961,150	583,612	377,538
Capital Improvements	5,500	5,500	180,547	(175,047)
Reserves	-	1,458,875	-	1,458,875
TOTAL EXPENDITURES	<u>1,894,650</u>	<u>3,453,525</u>	<u>1,682,038</u>	<u>1,771,487</u>
EXCESS REVENUES OVER (UNDER)				
EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	217,515	<u>\$ 217,515</u>
FUND BALANCE, Beginning of year			<u>1,791,109</u>	
FUND BALANCE - End of year			<u>\$ 2,008,624</u>	

**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, 2025, 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 26, 2026.

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 as 2025-001 Review of Support to Accounting Records and 2025-002-Journal Entries (prior year 2024/2023/2022-002) that we consider to be significant deficiencies.

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 32). 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 26, 2026

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, (the "District") as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated June 26, 2026.

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 26, 2026, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been implemented for finding 2024-001 Audit Adjustments in the preceding financial audit report. Audit finding 2024-002 Journal Entries remains uncorrected and is a repeat finding prior years 2023-002 and 2022-002.

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 does not have any component units.

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 District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Property Assessed Clean Energy (PACE) Programs

As required by Section 10.554(1)(i)6.a., Rules of the Auditor General, a PACE program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, did not operate within the District's geographical boundaries during the fiscal year under audit.

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)7, 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 is 13.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the District's fiscal year is 3.
- c. All compensation earned by or awarded to employees in the last pay period, whether paid or accrued, regardless of contingency is \$12,282.
- d. All compensation earned by or awarded to nonemployee independent contractors in the last month of the fiscal year, whether paid or accrued, regardless of contingency is \$1,000.
- e. The District does not have any construction project with a total cost of at least \$65,000 that is scheduled to begin on or after October 1 of the fiscal year being reported.
- 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, can be found on pages 23-24 of the financial statements.

Specific Information, Continued

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)8, Rules of the Auditor General, the District reported:

- a. The millage rate or rates imposed by the District is 0.3486.
- b. The total amount of ad valorem taxes collected by or on behalf of the District is \$1,774,597.
- c. The total amount of outstanding bonds issued by the District and the terms of such bonds is 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 26, 2026

INDEPENDENT ACCOUNTANT'S EXAMINATION

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, 2025. 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.

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2025.

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 26, 2026

LAKE REGION LAKES MANAGEMENT DISTRICT

SCHEDULE OF CURRENT AND PRIOR YEAR FINDINGS

September 30, 2025

Finding 2025-001 - Review of Support to Accounting Records (Significant Deficiency)

Condition: During the audit, the balance on the reconciliations initially provided did not agree to the corresponding balance recorded in financial management software. Upon follow-up, management determined that adjustments had been posted to the balance after the reconciliations were completed; however, the reconciliation support and related notes had not been updated to reflect those adjustments. Management subsequently provided revised reconciliation reports that agreed to financial management software.

Criteria: Schedules and reports provided for audit should be current and agree to the accounting records or include explanations for any differences.

Cause: Procedures were not sufficient to ensure that reconciliation support was updated or supplemented when adjustments were posted after the reconciliation had been completed.

Effect: When reconciliation support is not updated for subsequent adjustments, the reconciliation may not clearly reflect the current accounting records, resulting in additional follow-up and an incomplete review trail for changes to balances.

Recommendation: Management should implement procedures requiring reconciliation support to be updated or supplemented when subsequent adjustments are posted. Any changes after reconciliation completion should be documented, dated, reviewed, and retained with the original reconciliation support.

Finding 2025-002 (Prior Year 2024/2023/2022-002) - 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 financial management software; however, these entries were not reviewed or approved by someone other than the preparer when recorded.

Effect: Segregation of duties over preparation 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.



Corrective Action Plan

June 26, 2026

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 2025-001 - Review of Support to Accounting Records

We agree with Finding 2025-001, Review of Support to Accounting Records. Management has revised its procedures to require that reconciliation support be updated or supplemented whenever adjustments are posted after a reconciliation has been completed. Any such adjustment will be documented with the date, reason for the change, preparer, and supporting detail, and the updated reconciliation or supplemental explanation will be reviewed and retained with the original reconciliation support.

Management Response to Finding 2025-002 - 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.

SIGNED

District Manager
TITLE

6/24/26
DATE