

LOCAL GOVERNMENTAL ENTITY AUDIT REPORT SUBMITTAL CHECKLIST

Entity Name: KERWCD  
Contact Person Name and Title: LINDA Gee  
ADMINISTRATOR  
Contact Person Mailing Address: 9850 Light Ave Hastings FL 32145  
Contact Person Phone Number: (904) 692-1513  
Contact Person E-mail Address: LAGEE@WINDSTREAM.NET  
Fiscal Year Audited: 2018  
Date the auditor delivered the audit report to the entity: 6.24.2019

Does the audit report include the following items required by Section 10.557(3), Rules of the Auditor General:

Required for municipalities, special districts, the county as a whole, and county agencies \*\*

- The financial statements described in Sections 10.556(3) and (4), Rules of the Auditor General, as applicable, together with related notes to financial statements?
- Required supplementary information (RSI) such as the management's discussion and analysis (not required for county agencies), or the budgetary comparison schedule (required as RSI if not presented as part of the financial statements)?
- The auditor's report on the financial statements?
- The auditor's report on compliance and internal control?
- The management letter defined in Section 10.554(1)(i), Rules of the Auditor General?
- The written statement of explanation or rebuttal, including corrective action to be taken, required by Section 10.558(1), Rules of the Auditor General?
- The auditor's report based on an examination conducted in accordance with *AICPA Professional Standards*, prepared in accordance with AT Sections 601.55 and 601.56, promulgated by the American Institute of Certified Public Accountants, regarding the compliance requirements referenced in Section 10.556(10), Rules of the Auditor General?
- For entities that had an impact fee adopted by ordinance on their behalf, an affidavit signed and sworn to by the Chief Financial Officer before an officer authorized to administer oaths (e.g., notary public) stating that the ordinance complied with the restrictions of Section 163.31801, Florida Statutes.

\*\* Pursuant to Section 218.39(2), Florida Statutes, an audit of the board of county commissioners is not required. However, if the county report includes an audit of the board of county commissioners, it should include the items required by Section 10.557(3), Rules of the Auditor General.

Required for municipalities, special districts, and the county as a whole

\_\_\_\_\_ If applicable, the auditor's reports and related financial information required pursuant to Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); or other applicable Federal law?

\_\_\_\_\_ Any auditor's reports and related financial information required pursuant to the *Florida Single Audit Act* (see Section 10.557(3)(e), Rules of the Auditor General)?

\_\_\_\_\_ For any fiscal year in which funds related to the Deepwater Horizon oil spill are received or expended, a schedule of receipts and expenditures of such funds required by Section 10.557(3)(n), Rules of the Auditor General?

\_\_\_\_\_ For any fiscal year in which funds related to the Deepwater Horizon oil spill are received or expended, a report that includes an opinion (or disclaimer of opinion) as to whether the schedule of receipts and expenditures of such funds required by Section 10.557(3)(n), Rules of the Auditor General, is presented fairly in all material respects in relation to the financial statements taken as a whole. The report shall be prepared in accordance with AICPA Professional Standards, AU-C Section 725, promulgated by the American Institute of Certified Public Accountants. (see Section 10.557(3)(f), Rules of the Auditor General)?

In addition to the above, have the following requirements been complied with:

\_\_\_\_\_ Are all of the above elements of the audit report included in a **single document** as required by Section 10.557(3), Rules of the Auditor General?

\_\_\_\_\_ Are **one** paper copy and **one** electronic copy of the audit report being submitted as required by Section 10.558(3), Rules of the Auditor General?

\_\_\_\_\_ Is the electronic copy named using all lower case letters as follows: [fiscal year] [name of entity].pdf? Counties should include the word "county" in the entity name; however, it is not necessary for municipalities to include "city of," "town of," etc. in the entity name. For example, the converted document for the 2016-17 fiscal year for Alachua County should be named 2017 alachua county.pdf while the converted document for the 2016-17 fiscal year for the City of Alachua should be named 2017 alachua.pdf.

\_\_\_\_\_ Was the audit report being submitted within 45 days after receipt of the audit report from the auditor, but no later than **9 months** after the end of the fiscal year? **NOTE:** There is no provision in law authorizing an extension for filing the audit report.

\_\_\_\_\_ If the audit report is for a county or municipality, and a dependent special district was audited as part of the county or municipality audit, did the notes to financial statements clearly indicate that the special district had been included as part of the county's or municipality's reporting entity? **NOTE:** Pursuant to Section 218.39(3), Florida Statutes, an independent special district may not be audited as part of a county or municipality audit. When a dependent special district is audited as part of the county or municipality audit, the county or municipality notes to financial statements should clearly disclose that the special district is a component unit included within the county's or municipality's reporting entity.

**This checklist should accompany the audit report.** It is suggested that you retain a copy of the checklist for your files. Do not hesitate to contact us if assistance or clarification is needed regarding reporting requirements. Our contact information is as follows:

Auditor General  
Local Government Audits/342  
Claude Pepper Building, Room 401  
111 West Madison Street  
Tallahassee, FL 32399-1450

Telephone: (850) 412-2881

Fax: (850) 488-6975

E-mail Address: [flaudgen\\_localgovt@aud.state.fl.us](mailto:flaudgen_localgovt@aud.state.fl.us)

Web site Address: [FLAuditor.gov](http://FLAuditor.gov)

**Flagler Estates Road and Water  
Control District**

**Audit Report**

**September 30, 2018**



**CRI** CARR  
RIGGS &  
INGRAM

CPAs and Advisors

[CRIcpa.com](http://CRIcpa.com)

# Flagler Estates Road and Water Control District

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## INDEPENDENT AUDITORS' REPORT

Board of Supervisors  
Flagler Estates Road and Water Control District

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Flagler Estates Road and Water Control District (the "District") as of and for the fiscal year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

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

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

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

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of

September 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

*Other Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated June 13, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

St. Augustine, Florida  
June 13, 2019

# Flagler Estates Road and Water Control District

## Management's Discussion and Analysis

This discussion and analysis of the Flagler Estates Road and Water Control District's financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2018. Please read it in conjunction with the District's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2018:

- The District's overall net position decreased by \$391,040.
- Total ending unrestricted net position was \$1,984,424.
- The District had total expenses for the year of \$1,560,743, compared to revenues of \$1,169,703.

### OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

#### *Government-wide Financial Statements*

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

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

#### *Fund Financial Statements*

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

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

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



## Flagler Estates Road and Water Control District

### Management's Discussion and Analysis

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

<i>As of September 30,</i>	<b>Net Position</b>	
	2018	2017
<b>Assets:</b>		
Non-capital assets	\$ 2,002,873	\$ 2,052,270
Capital assets	4,793,864	5,140,257
<b>Total assets</b>	<b>6,796,737</b>	<b>7,192,527</b>
<b>Liabilities:</b>		
Current liabilities	18,449	23,199
<b>Total liabilities</b>	<b>18,449</b>	<b>23,199</b>
<b>Net position:</b>		
Net investment in capital assets	4,793,864	5,140,257
Unrestricted	1,984,424	2,029,071
<b>Total net position</b>	<b>\$ 6,778,288</b>	<b>\$ 7,169,328</b>

<i>Year ended September 30,</i>	<b>Change in Net Position</b>	
	2018	2017
<b>Program revenues:</b>		
Charges for services	\$ 1,162,879	\$ 1,174,463
<b>General revenues:</b>		
Investment earnings	6,824	1,821
<b>Total revenues</b>	<b>1,169,703</b>	<b>1,176,284</b>
<b>Program expenses:</b>		
Physical environment – water control	954,994	737,433
Transportation	605,749	768,962
<b>Total expenses</b>	<b>1,560,743</b>	<b>1,506,395</b>
<b>Change in net position</b>	<b>(391,040)</b>	<b>(330,111)</b>
<b>Beginning net position</b>	<b>7,169,328</b>	<b>7,499,439</b>
<b>Ending net position</b>	<b>\$ 6,778,288</b>	<b>\$ 7,169,328</b>

# Flagler Estates Road and Water Control District

## Management's Discussion and Analysis

### OVERALL FINANCIAL ASSETS AND RESULTS OF OPERATIONS

#### *Governmental Activities*

The governmental activities generated \$1,162,879 in program revenues and \$6,824 of general revenues, and incurred \$1,560,743 of program expenses. This resulted in a \$391,040 decrease in net position.

### THE DISTRICT'S INDIVIDUAL FUNDS

#### *General Fund*

The General Fund's fund balance increased by \$3,466 from \$1,705,336 to \$1,708,802.

#### *Capital Projects Fund*

The Capital Projects Fund balance decreased by \$47,590 from \$338,052 to \$290,462. This was the result of road paving projects completed during the year.

### BUDGETARY HIGHLIGHTS

The original budget for the General Fund was amended to reflect actual activity occurring in the Fund for the year. The District operated within its budget for the year ended September 30, 2018. Significant revenue budget amendments include grant revenue related to hurricane damage. Significant expenditure budget amendments include machinery repairs and engineering costs for grant projects.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### *Capital Assets*

There was significant capital asset activity during 2018, including drainage and roadway improvements. The District also purchased equipment. Please refer to a note to the accompanying financial statements entitled *Capital Assets and Depreciation* for more detailed information about the District's capital asset activity.

#### *Debt Administration*

At September 30, 2018, the District has no significant long-term liabilities. Please refer to a note to the accompanying financial statements entitled *Long-term Liabilities* for more detailed information about the District's long-term debt activity.

### ECONOMIC FACTORS

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

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact W. H. O'Connell & Associates PA, Treasurer, at 9850 Light Avenue, Hastings, Florida 32145-4610.

# Flagler Estates Road and Water Control District

## Statement of Net Position As of September 30, 2018

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,805,849
Investment in state pool	113,145
Prepays	31,236
Inventory	52,643
Capital assets:	
Nondepreciable	82,144
Depreciable capital assets, net	4,711,720
<hr/>	
Total assets	6,796,737
<hr/>	
<b>Liabilities</b>	
Accounts payable and accrued liabilities	3,609
Long-term liabilities:	
Due within one year	14,840
<hr/>	
Total liabilities	18,449
<hr/>	
<b>Net position</b>	
Net investment in capital assets	4,793,864
Unrestricted	1,984,424
<hr/>	
Total net position	\$ 6,778,288
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See accompanying notes.

Flagler Estates Road and Water Control District

Statement of Activities  
Year ended September 30, 2018

<b>Functions/programs</b>	<b>Expenses</b>	<u>Program Revenues</u>	<b>Net (Expense) Revenue and Changes in Net Position</b>
		<b>Charges for Services</b>	
Governmental activities:			
Physical environment	\$ 954,994	\$ 604,697	\$ (350,297)
Transportation	605,749	558,182	(47,567)
<b>Total governmental activities</b>	<b>\$ 1,560,743</b>	<b>\$ 1,162,879</b>	<b>(397,864)</b>
<b>General revenues:</b>			
Investment earnings			6,824
<b>Change in net position</b>			<b>(391,040)</b>
<b>Net position – beginning of the year</b>			<b>7,169,328</b>
<b>Net position – end of the year</b>			<b>\$ 6,778,288</b>

See accompanying notes.

Flagler Estates Road and Water Control District

Balance Sheet  
Governmental Funds  
As of September 30, 2018

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 1,515,462	\$ 290,387	\$ 1,805,849
Investment in state pool	113,145	-	113,145
Due from other funds	-	75	75
Inventory	52,643	-	52,643
Prepays	31,236	-	31,236
<b>Total assets</b>	<b>\$ 1,712,486</b>	<b>\$ 290,462</b>	<b>\$ 2,002,948</b>
<b>Liabilities and fund balances</b>			
Liabilities:			
Accounts payable and accrued liabilities	3,609	-	3,609
Due to other funds	75	-	75
<b>Total liabilities</b>	<b>3,684</b>	<b>-</b>	<b>3,684</b>
Fund balances:			
Nonspendable:			
Inventory	52,643	-	52,643
Prepays	31,236	-	31,236
Assigned for capital projects	-	290,462	290,462
Unassigned	1,624,923	-	1,624,923
<b>Total fund balances</b>	<b>1,708,802</b>	<b>290,462</b>	<b>1,999,264</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,712,486</b>	<b>\$ 290,462</b>	<b>\$ 2,002,948</b>

See accompanying notes.

**Flagler Estates Road and Water Control District**

**Reconciliation of the Balance Sheet to the Statement of Net Position  
Governmental Funds  
As of September 30, 2018**

Fund balances - total governmental funds \$ 1,999,264

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

Capital assets used in governmental activities are not reported in the governmental funds.

Capital assets - net of accumulated depreciation 4,793,864

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Compensated absences (14,840)

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Net position of governmental activities \$ 6,778,288

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*See accompanying notes.*

**Flagler Estates Road and Water Control District**

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
Year ended September 30, 2018**

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues</b>			
Charges for services	\$ 63,129	\$ 235,259	\$ 298,388
Special assessments	861,765	-	861,765
Miscellaneous	8,447	1,103	9,550
<b>Total revenues</b>	<b>933,341</b>	<b>236,362</b>	<b>1,169,703</b>
<b>Expenditures</b>			
Current:			
Physical environment	454,884	4,248	459,132
Transportation	419,893	3,921	423,814
Capital outlay	56,869	275,783	332,652
<b>Total expenditures</b>	<b>931,646</b>	<b>283,952</b>	<b>1,215,598</b>
<b>Excess of revenues over (under) expenditures</b>	<b>1,695</b>	<b>(47,590)</b>	<b>(45,895)</b>
<b>Fund balance - October 1, 2017</b>	<b>1,705,336</b>	<b>338,052</b>	<b>2,043,388</b>
<b>Inventory adjustment</b>	<b>1,771</b>	<b>-</b>	<b>1,771</b>
<b>Fund balance - September 30, 2018</b>	<b>\$ 1,708,802</b>	<b>\$ 290,462</b>	<b>\$ 1,999,264</b>

*See accompanying notes.*

Flagler Estates Road and Water Control District

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balance to the Statement of Activities  
Governmental Funds  
Year ended September 30, 2018

Net change in fund balance - total governmental funds \$ (45,895)

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

Inventory acquisitions under the purchases method in the governmental funds are treated as expenditures. However, inventory acquisitions are under the consumption method on the statement of activities.

Change in inventory 1,771

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

Expenditures for capital assets 332,652  
Current year depreciation (679,045)

Some expenses 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.

Compensated absences (523)

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Change in net position of governmental activities \$ (391,040)

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See accompanying notes.



# Flagler Estates Road and Water Control District

## Notes to Financial Statements

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

The District did not participate in any joint ventures during the 2017-2018 fiscal year.

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

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

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

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

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

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

# Flagler Estates Road and Water Control District

## Notes to Financial Statements

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

The District reports the following major governmental funds:

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

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

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

#### ***Measurement Focus and Basis of Accounting***

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

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

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

All deposits are placed in a bank that qualifies as a public depository, as required by law (Florida Security for Public Deposits Act). Accordingly, all deposits are insured by Federal depository insurance and/or entirely collateralized pursuant to Chapter 280, Florida Statutes.

#### ***Investments***

The District deposits surplus funds with the State Board of Administration's (the "SBA") Local Government Investment Pool (the "State Pool"). It is an authorized form of investment, pursuant to Section 218.415, Florida Statutes, and is the only type of investment held at September 30, 2018.

# Flagler Estates Road and Water Control District

## Notes to Financial Statements

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

#### *Prepays*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

#### *Inventory*

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

#### *Capital Assets and Depreciation*

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

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

<u>Assets</u>	<u>Years</u>
Buildings	25-40
Vehicles and equipment	5-10
Infrastructure	10-15

#### *Compensated Absences*

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

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

#### *Long-Term Liabilities*

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

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

Notes to Financial Statements

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

***Net Position***

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

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

***Fund Balance***

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

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

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

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

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

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

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

# Flagler Estates Road and Water Control District

## Notes to Financial Statements

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

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

#### *Use of Estimates*

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

### NOTE 2 – INVESTMENTS

The District's investments at September 30, 2018 are summarized in the following table:

	Amount	S&P Rating
Florida PRIME	\$ 113,145	AAAm

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

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

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

*Credit Risk* – The risk that an issuer or other counterparty to an investment will not fulfill its obligations

The Florida PRIME is rated by Standard and Poor's and has a rating at September 30, 2018 of AAAm.

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

The weighted average maturity (WAM) of the Florida PRIME at September 30, 2018 was 33 days

# Flagler Estates Road and Water Control District

## Notes to Financial Statements

### NOTE 3 – NON AD-VALOREM ASSESSMENTS

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

### NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended September 30, 2018 was as follows:

	Balance October 1, 2017	Additions	Deletions	Balance September 30, 2018
<b>Capital assets not being depreciated:</b>				
Land	\$ 82,144	\$ -	\$ -	\$ 82,144
<b>Capital assets being depreciated:</b>				
Infrastructure	10,854,652	316,266	-	11,170,918
Buildings	72,601	-	-	72,601
Equipment	1,569,426	16,386	-	1,585,812
<b>Total capital assets being depreciated</b>	<b>12,496,679</b>	<b>332,652</b>	<b>-</b>	<b>12,829,331</b>
<b>Less accumulated depreciation for:</b>				
Infrastructure	6,099,270	597,598	-	6,696,868
Buildings	60,600	1,687	-	62,287
Equipment	1,278,696	79,760	-	1,358,456
<b>Total accumulated depreciation</b>	<b>7,438,566</b>	<b>679,045</b>	<b>-</b>	<b>8,117,611</b>
<b>Total capital assets being depreciated, net</b>	<b>5,058,113</b>	<b>(346,393)</b>	<b>-</b>	<b>4,711,720</b>
<b>Capital assets, net</b>	<b>\$ 5,140,257</b>	<b>\$ (346,393)</b>	<b>\$ -</b>	<b>\$ 4,793,864</b>

Depreciation expense was charged to functions as follows:

Physical environment	\$ 353,103
Transportation	325,942
<b>Total depreciation expense</b>	<b>\$ 679,045</b>

# Flagler Estates Road and Water Control District

## Notes to Financial Statements

### NOTE 5 – LONG-TERM LIABILITIES

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

	Balance October 1, 2017	Additions	Deletions	Balance September 30, 2018	Due Within One Year
Compensated absences	\$ 14,317	\$ 26,863	\$ 26,340	\$ 14,840	\$ 14,840

### NOTE 6 – RETIREMENT PLAN

The District sponsors a 403(b) retirement plan. The District's contribution is discretionary. Eligible employees are those who are at least 21 years of age and there is no minimum service requirement. The District made contributions of \$18,250 to the plan for the year ended September 30, 2018.

### NOTE 7 – RISK MANAGEMENT

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

## Required Supplementary Information



**Flagler Estates Road and Water Control District**

**Budgetary Comparison Schedule – General Fund  
Year ended September 30, 2018**

	Budgeted		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 32,550	\$ 61,265	\$ 63,129	\$ 1,864
Special assessments	822,021	860,621	861,765	1,144
Grant	-	41,000	-	(41,000)
Miscellaneous	1,350	6,220	8,447	2,227
<b>Total revenues</b>	<b>855,921</b>	<b>969,106</b>	<b>933,341</b>	<b>(35,765)</b>
<b>Expenditures</b>				
Current:				
Physical environment	428,146	485,775	454,884	30,891
Transportation	395,211	448,407	419,893	28,514
Capital Outlay	94,275	99,275	56,869	42,406
<b>Total expenditures</b>	<b>917,632</b>	<b>1,033,457</b>	<b>931,646</b>	<b>101,811</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(61,711)</b>	<b>(64,351)</b>	<b>1,695</b>	<b>66,046</b>
<b>Fund balances – October 1, 2017</b>	<b>1,705,336</b>	<b>1,705,336</b>	<b>1,705,336</b>	<b>-</b>
<b>Inventory adjustment</b>	<b>-</b>	<b>-</b>	<b>1,771</b>	<b>1,771</b>
<b>Fund balances – September 30, 2018</b>	<b>\$ 1,643,625</b>	<b>\$ 1,640,985</b>	<b>\$ 1,708,802</b>	<b>\$ 67,817</b>

Notes to Schedule:

The annual budget is prepared by the Treasurer and approved by the Board of Supervisors. The budget is prepared on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. Budget amendments can only be made with approval of the Board of Supervisors. The fund is the legal level of control.

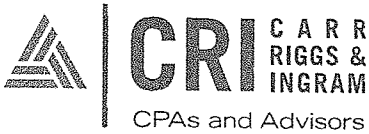
## Supplementary Information

## Flagler Estates Road and Water Control District

### Schedule of Expenditures Year ended September 30, 2018

	General Fund	Capital Projects Fund	Total Governmental Funds
Salaries and wages	\$ 346,474	\$ -	\$ 346,474
Payroll taxes	26,171	-	26,171
Life and health insurance	84,048	-	84,048
Retirement	18,250	-	18,250
Vegetation control	15,026	-	15,026
Fuel	50,503	-	50,503
Repairs and supplies	106,019	-	106,019
Utilities and telephone	10,228	-	10,228
Insurance	67,148	-	67,148
Legal and accounting	55,434	-	55,434
Travel	1,827	-	1,827
Tax collection expense	40,544	8,169	48,713
Engineering	38,676	-	38,676
Office supplies and postage	6,858	-	6,858
Other current charges	7,571	-	7,571
Capital outlay	56,869	275,783	332,652
<b>Total expenditures</b>	<b>\$ 931,646</b>	<b>\$ 283,952</b>	<b>\$ 1,215,598</b>

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



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## **MANAGEMENT LETTER**

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

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

We have audited the financial statements of the Flagler Estates Road and Water Control District, as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated June 13, 2019.

### **Auditors' Responsibility**

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

### **Other Reporting Requirements**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 13, 2019, 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. All prior audit findings reoccurred in the current fiscal year. These requirements of the Rules of the Auditor General are addressed in the accompanying Schedule of Findings.

### **Financial Management**

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.

### **Additional Matters**

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

**Purpose of this Letter**

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

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

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

St. Augustine, Florida  
June 13, 2019

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

Board of Supervisors  
Flagler Estates Road and Water Control District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Flagler Estates Road and Water Control District (the "District") as of and for the year ended September 30, 2018, 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 13, 2019.

**Internal Control Over Financial Reporting**

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

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

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 were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control described as items 2018-001 and 2018-002 that we consider to be material weaknesses.

### **Compliance and Other Matters**

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

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

The District's response to the findings identified in our audit is described in its accompanying letter of response. 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.

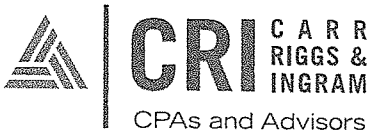
### **Purpose of this Report**

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.

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

St. Augustine, Florida  
June 13, 2019





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

Board of Supervisors  
Flagler Estates Road and Water Control District

We have examined Flagler Estates Road and Water Control District's (the "District") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2018. Management is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements based on our examination.

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

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.

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

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

St. Augustine, Florida  
June 13, 2019

Schedule of Findings

2018-001 (Reported in previous audit reports as items 2017-001 and 2016-001)

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

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

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

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

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

2018-002 (Reported in previous audit reports as items 2017-002 and 2016-002)

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

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

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

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

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

# Flagler Estates Road & Water Control District

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June 13, 2019

Mr. David W. Martin, CPA  
Auditor General  
111 West Madison Street  
Tallahassee, FL 32399

Dear Mr. Martin:

I write to you in response to the findings note in the audit of Flagler Estates Road & Water Control District, prepared by Carr, Riggs, & Ingram, LLC for the year ended September 30, 2018.

Finding 2018-001- Segregation of Incompatible Duties

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

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

Finding 2018-002- Preparation of Financial Statements

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

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

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

Sincerely,

*Dana Scheiner*

Dana Scheiner,  
President, Board of Supervisors