



**Flagler Estates Road and Water
Control District**

Audit Report

September 30, 2020

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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, 2020, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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

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, 2020. Please read it in conjunction with the District's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2020:

- The District's overall net position decreased by \$230,904.
- Total ending unrestricted net position was \$1,832,389.
- The District had total expenses for the year of \$1,560,052, compared to revenues of \$1,329,148.

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>	Net Position	
	2020	2019
Assets:		
Non-capital assets	\$ 1,863,109	\$ 1,786,681
Capital assets	4,648,623	4,743,273
Total assets	6,511,732	6,529,954
Liabilities:		
Current liabilities:		
Current liabilities	2,479	2,287
Current portion of long-term debt	93,955	19,874
Total current liabilities	96,434	22,161
Long-term liabilities:		
Long-term debt	138,409	-
Total liabilities	234,843	22,161
Net position:		
Net investment in capital assets	4,444,500	4,743,273
Unrestricted	1,832,389	1,764,520
Total net position	\$ 6,276,889	\$ 6,507,793

<i>Year ended September 30,</i>	Change in Net Position	
	2020	2019
Program revenues:		
Charges for services	\$ 111,842	\$ 89,116
Operating grants	8,653	110,375
General revenues:		
Special assessments	1,203,409	1,116,428
Investment earnings	4,386	14,841
Miscellaneous	858	4,198
Total revenues	1,329,148	1,334,958
Program expenses:		
Physical environment – water control	904,713	1,012,581
Transportation	655,339	592,872
Total expenses	1,560,052	1,605,453
Change in net position	(230,904)	(270,495)
Beginning net position	6,507,793	6,778,288
Ending net position	\$ 6,276,889	\$ 6,507,793

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 \$120,495 in program revenues and \$1,208,653 of general revenues, and incurred \$1,560,052 of program expenses. This resulted in a \$230,904 decrease in net position.

THE DISTRICT'S INDIVIDUAL FUNDS

General Fund

The General Fund's fund balance increased by \$16,155 from \$1,519,729 to \$1,535,884. This was the result of a modest increase in special assessment revenues received during the year.

Capital Projects Fund

The Capital Projects Fund balance increased by \$60,081 from \$264,665 to \$324,746. This was the result of increased special assessment revenues, as well as a decrease in road paving projects in the current year.

BUDGETARY HIGHLIGHTS

There were no amendments to the original budget for the General Fund for the year. The District did not operate within its budget for the year ended September 30, 2020. Significant expenditures not included in the budget were the purchase of equipment and debt service costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

There was significant capital asset activity during 2020, including drainage and roadway improvements. The District also purchased heavy 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

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

ECONOMIC FACTORS

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it

Flagler Estates Road and Water Control District

Management's Discussion and Analysis

receives. If you have any questions about this report or need additional financial information, contact Neville Wainio CPAs, Treasurer, at 5 Arredondo Ave, St. Augustine, Florida 32080.

Flagler Estates Road and Water Control District
Statement of Net Position

<i>September 30, 2020</i>	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,690,462
Investment in state pool	117,409
Inventory	52,643
Prepaid items	2,595
Capital assets:	
Nondepreciable	82,144
Depreciable capital assets, net	4,566,479
Total assets	6,511,732
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	2,479
Current portion of long-term debt	93,955
Total current liabilities	96,434
Long-term liabilities:	
Long-term debt	138,409
Total liabilities	234,843
Net position	
Net investment in capital assets	4,444,500
Unrestricted	1,832,389
Total net position	\$ 6,276,889

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

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

For the year ended September 30, 2020

Functions/programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants		
Governmental activities:				
Physical environment	\$ 904,713	\$ 58,158	\$ 4,500	\$ (842,055)
Transportation	655,339	53,684	4,153	(597,502)
Total governmental activities	\$ 1,560,052	\$ 111,842	\$ 8,653	(1,439,557)
	General revenues:			
				1,203,409
				4,386
				858
	Total general revenues			1,208,653
	Change in net position			(230,904)
	Net position – beginning of the year			6,507,793
	Net position – end of the year			\$ 6,276,889

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

**Flagler Estates Road and Water Control District
Balance Sheet**

<i>September 30, 2020</i>	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 1,365,716	\$ 324,746	\$ 1,690,462
Investment in state pool	117,409	-	117,409
Inventory	52,643	-	52,643
Prepaid items	2,595	-	2,595
Total assets	\$ 1,538,363	\$ 324,746	\$ 1,863,109
Liabilities and fund balances			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 2,479	\$ -	\$ 2,479
Total liabilities	2,479	-	2,479
Fund balances:			
Nonspendable:			
Inventory	52,643	-	52,643
Prepaid items	2,595	-	2,595
Assigned for capital projects	-	324,746	324,746
Unassigned	1,480,646	-	1,480,646
Total fund balances	1,535,884	324,746	1,860,630
Total liabilities and fund balances	\$ 1,538,363	\$ 324,746	\$ 1,863,109

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

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

<i>September 30,</i>	2020
Total fund balances - governmental funds	\$ 1,860,630

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Capital assets - net of accumulated depreciation	4,648,623
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Compensated absences	(28,241)
Notes payable	(204,123)

Total adjustments of governmental activities	\$ 6,276,889
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Flagler Estates Road and Water Control District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

<i>For the year ended September 30, 2020</i>	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
Charges for services	\$ 111,842	\$ -	\$ 111,842
Intergovernmental	8,653	-	8,653
Special assessments	967,377	239,594	1,206,971
Miscellaneous	4,975	269	5,244
Total revenues	1,092,847	239,863	1,332,710
Expenditures			
Current:			
Physical environment	422,491	-	422,491
Transportation	389,992	-	389,992
Capital outlay	468,332	179,782	648,114
Debt service	72,859	-	72,859
Total expenditures	1,353,674	179,782	1,533,456
Excess (deficiency) of revenues over (under) expenditures	(260,827)	60,081	(200,746)
Other financing sources			
Proceeds from long-term debt	276,982	-	276,982
Total other financing sources	276,982	-	276,982
Net change in fund balance	16,155	60,081	76,236
Fund balances, beginning of year	1,519,729	264,665	1,784,394
Fund balances, end of year	\$ 1,535,884	\$ 324,746	\$ 1,860,630

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

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

<i>For the year ended September 30,</i>	2020
Net change in fund balance - total governmental funds	\$ 76,236
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 depreciated over their estimated useful lives.	
Expenditures for capital assets	648,114
Current year depreciation	(742,764)
Compensated absences are reported in the statement of activities when earned. As they do not require the use of current financial resources, they are not reported as expenditures on governmental funds until they have matured. This is the amount of compensated absences reported in the statement of activities in the prior year that has matured in the current year.	
	(8,367)
Issuance of long-term debt is an other financing source in the governmental funds, but increases long-term liabilities in the statement of net position.	
	(276,982)
Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
	72,859
Change in net position of governmental activities	\$ (230,904)

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

Flagler Estates Road and Water Control District Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

The District did not participate in any joint ventures during the 2019-2020 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, 2020.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Items

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>Capital asset classes</u>	<u>Lives</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.

Flagler Estates Road and Water Control District 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.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 29, 2021 and determined there were no events that occurred that required disclosure.

NOTE 2 – INVESTMENTS

The District’s investments at September 30, 2020 are summarized in the following table:

	Amount	S&P Rating
Florida PRIME	\$ 117,409	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, 2020 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, 2020 was 48 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, 2020 was as follows:

	Balance October 1, 2019	Additions	Deletions	Balance September 30, 2020
Capital assets not being depreciated:				
Land	\$ 82,144	\$ -	\$ -	\$ 82,144
Capital assets being depreciated:				
Infrastructure	11,680,691	371,961	-	12,052,652
Buildings	72,601	-	-	72,601
Equipment	1,663,300	276,153	194,140	1,745,313
Total capital assets being depreciated	13,416,592	648,114	194,140	13,870,566
Less accumulated depreciation for:				
Infrastructure	7,331,806	654,765	-	7,986,571
Buildings	63,974	1,687	-	65,661
Equipment	1,359,683	86,312	194,140	1,251,855
Total accumulated depreciation	8,755,463	742,764	194,140	9,304,087
Total capital assets being depreciated, net	4,661,129	(94,650)	-	4,566,479
Capital assets, net	\$ 4,743,273	\$ (94,650)	\$ -	\$ 4,648,623

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

<i>For the year end September 30,</i>	<i>2020</i>
Governmental activities	
Physical environment	\$ 386,237
Transportation	356,527
Total depreciation expense - governmental activities	\$ 742,764

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

NOTE 5 – LONG-TERM LIABILITIES

Note Payable

A note payable was issued on November 12, 2019 in the amount of \$276,982 to finance the purchase of two new tractors. It is payable in annual installments of \$72,859 with a nominal annual rate of 3.5%, through October 2022. As of September 30, 2020, the principal outstanding on the note was \$204,123.

Estimated future debt maturities are as follows:

<i>Years ending September 30,</i>	Principal	Interest
2021	\$ 65,714	\$ 7,144
2022	68,014	4,844
2023	70,395	2,464
Totals	\$ 204,123	\$ 14,452

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

	Balance October 1, 2019	Additions	Deletions	Balance September 30, 2020	Due Within One Year
Note Payable	\$ -	\$ 276,982	\$ 72,859	\$ 204,123	\$ 65,714
Compensated absences	19,874	32,702	24,335	28,241	28,241
Total	\$ 19,874	\$ 309,684	\$ 97,194	\$ 232,364	\$ 93,955

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 \$18,515 to the plan for the year ended September 30, 2020.

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 Funds**

<i>For the year ended September 30, 2020</i>	Budgeted		Actual	Variance
	Original	Final	Amounts	With Final Budget
Revenues				
Charges for services	\$ 57,375	\$ 57,375	\$ 111,842	\$ 54,467
Intergovernmental	-	-	8,653	8,653
Special assessments	822,021	822,021	967,377	145,356
Miscellaneous	3,600	3,600	4,975	1,375
Total revenues	882,996	882,996	1,092,847	209,851
Expenditures				
Current:				
Physical environment	483,761	483,761	422,491	61,270
Transportation	446,549	446,549	389,992	56,557
Capital Outlay	19,000	19,000	468,332	(449,332)
Debt Service	-	-	72,859	(72,859)
Total expenditures	949,310	949,310	1,353,674	(404,364)
Deficiency of revenues under expenditures	(66,314)	(66,314)	(260,827)	(194,513)
Other financing sources				
Proceeds from long-term debt	-	-	276,982	276,982
Net change in fund balance	(66,314)	(66,314)	16,155	82,469
Fund balances, beginning of year	1,519,729	1,519,729	1,519,729	-
Fund balances, end of year	\$ 1,453,415	\$ 1,453,415	\$ 1,535,884	\$ 82,469

Notes to Schedule:

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

Supplementary Information

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

<i>For the year ended September 30, 2020</i>	General Fund	Capital Projects Fund	Total Governmental Funds
Salaries and wages	\$ 388,292	\$ -	\$ 388,292
Payroll taxes	30,368	-	30,368
Life and health insurance	103,813	-	103,813
Retirement	18,515	-	18,515
Vegetation control	26,027	-	26,027
Fuel	38,562	-	38,562
Repairs and supplies	56,200	-	56,200
Utilities and telephone	12,102	-	12,102
Insurance	53,856	-	53,856
Debt service	72,859	-	72,859
Legal and accounting	50,364	-	50,364
Travel	1,845	-	1,845
Tax collection expense	15,432	-	15,432
Engineering	3,572	-	3,572
Office supplies and postage	6,185	-	6,185
Other current charges	7,350	-	7,350
Capital outlay	468,332	179,782	648,114
Total expenditures	\$ 1,353,674	\$ 179,782	\$ 1,533,456

**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, 2020, and have issued our report thereon dated June 29, 2021.

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 and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 29, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. All prior audit findings recurred in the current fiscal year and were also reported as findings in the second preceding financial audit report. These requirements of the Rules of the Auditor General are addressed in the accompanying Schedule of Findings.

Financial Condition and Management

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

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, 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, granting agencies, the District, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

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

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

Jacksonville, Florida
June 29, 2021



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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, 2020, 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 29, 2021.

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. 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. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control described as items 2020-001 and 2020-002 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 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*.

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.

Carly Riggs & Ingram, L.L.C.

Jacksonville, Florida

June 29, 2021



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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 specified requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2020. Management of the District is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements based on our examination.

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

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, 2020.

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

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

Jacksonville, Florida
June 29, 2021

Flagler Estates Road and Water Control District

Schedule of Findings

2020-001 (Reported in previous audit reports as items 2019-001 and 2018-001)

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.

2020-002 (Reported in previous audit reports as items 2019-002 and 2018-002)

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.

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Flagler Estates Road & Water Control District

June 29, 2021

Ms. Sherrill F. Norman, 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, 2020.

Finding 2020-001- 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.

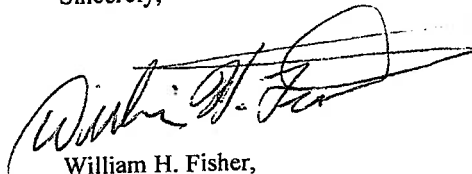
Finding 2020-002- Preparation of Financial Statements

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,



William H. Fisher,

President, Board of Supervisors