

**Flagler Estates Road and Water
Control District**

FINANCIAL STATEMENTS

September 30, 2021



FINANCIAL SECTION

Independent Auditors' Report	1
------------------------------	---

Management's Discussion and Analysis	3
--------------------------------------	---

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements:	
Statement of Net Position	6

Statement of Activities	7
-------------------------	---

Governmental Fund Financial Statements:	
Balance Sheet	8

Reconciliation of the Balance Sheet to the Statement of Net Position	9
--	---

Statement of Revenues, Expenditures and Changes in Fund Balances	10
--	----

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	11
---	----

Notes to Financial Statements	12
-------------------------------	----

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	20
--	----

SUPPLEMENTARY INFORMATION

Schedule of Expenditures	21
--------------------------	----

ADDITIONAL ELEMENTS REQUIRED BY THE RULES OF THE AUDITOR GENERAL

Management Letter	22
-------------------	----

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25
---	----

Independent Accountants' Report on Compliance with Section 218.415, Florida Statutes	27
--	----

Schedule of Findings	28
----------------------	----

District's Response to Auditors' Findings	--
---	----

INDEPENDENT AUDITORS' REPORT

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

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, 2021, 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

September 30, 2021, and the respective changes in financial position 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 27, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Jacksonville, Florida
June 27, 2022

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, 2021. Please read it in conjunction with the District's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2021:

- The District's overall net position decreased by \$112,694.
- Total ending unrestricted net position was \$1,973,391.
- The District had total expenses for the year of \$1,731,144, compared to revenues of \$1,618,450.

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.

Net Position			
<i>September 30,</i>	2021		2020
Assets:			
Non-capital assets	\$ 2,025,642	\$	1,863,109
Capital assets	4,329,213		4,648,623
Total assets	6,354,855		6,511,732
Liabilities:			
Current liabilities	16,481		2,479
Current portion of long-term debt	103,784		93,955
Total current liabilities	120,265		96,434
Long-term liabilities:			
Long-term debt	70,395		138,409
Total liabilities	190,660		234,843
Net position:			
Net investment in capital assets	4,190,804		4,444,500
Unrestricted	1,973,391		1,832,389
Total net position	\$ 6,164,195	\$	6,276,889

Change in Net Position			
<i>Year ended September 30,</i>	2021		2020
Program revenues:			
Charges for services	\$ 349,699	\$	111,842
Operating grants	-		8,653
General revenues:			
Special assessments	1,261,550		1,203,409
Investment earnings	1,179		4,386
Miscellaneous	6,022		858
Total revenues	1,618,450		1,329,148
Program expenses:			
Physical environment – water control	1,000,181		900,999
Transportation	723,821		651,911
Interest expense on long-term debt	7,142		7,142
Total expenses	1,731,144		1,560,052
Change in net position	(112,694)		(230,904)
Beginning net position	6,276,889		6,507,793
Ending net position	\$ 6,164,195	\$	6,276,889

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 \$349,699 in program revenues and \$1,268,751 of general revenues, and incurred \$1,731,144 of program expenses. This resulted in \$112,694 decrease in net position.

THE DISTRICT'S INDIVIDUAL FUNDS

General Fund

The General Fund's fund balance increased by \$104,996 from \$1,535,884 to \$1,640,880. This was the result of an increase in charges for services revenues received during the year.

Capital Projects Fund

The Capital Projects Funds balance increased by \$43,535 from \$324,746 to \$368,281. This was the result of increased special assessment revenues.

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, 2021. However, the District had a significant increase in charges for services during the audit period that covered the overage of expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

There was significant capital asset activity during 2021, including drainage and roadway improvements. Please refer to a note to the accompanying financial statements entitled *Capital Assets and Depreciation* for more detailed information about the District's capital asset activity.

Debt Administration

The District did not enter into any new financing agreements during the current year. Please refer to a note to the accompanying financial statements entitled *Long-term Liabilities* for more detailed information about the District's long-term debt activity.

ECONOMIC FACTORS

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Flagler Estates Road and Water Control District

Statement of Net Position

<i>September 30, 2021</i>	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,850,183
Investment in state pool	117,592
Inventory	52,643
Prepaid items	5,224
Capital assets:	
Nondepreciable	82,144
Depreciable capital assets, net	4,247,069
Total assets	6,354,855
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	16,481
Current portion of long-term debt	103,784
Total current liabilities	120,265
Long-term liabilities:	
Long-term debt	70,395
Total liabilities	190,660
Net position	
Net investment in capital assets	4,190,804
Unrestricted	1,973,391
Total net position	\$ 6,164,195

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, 2021

Functions/programs	Expenses	<u>Program Revenues</u> Charges for Services	Net (Expense) Revenue and Changes in Net Position
Governmental activities:			
Physical environment	\$ 1,000,181	\$ 181,843	\$ (818,338)
Transportation	723,821	167,856	(555,965)
Interest expense on long-term debt	7,142	-	(7,142)
Total governmental activities	\$ 1,731,144	\$ 349,699	(1,381,445)
General revenues:			
Special assessments			1,261,550
Investment earnings			1,179
Miscellaneous			6,022
Total general revenues			1,268,751
Change in net position			(112,694)
Net position – beginning of the year			6,276,889
Net position – end of the year			\$ 6,164,195

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

Flagler Estates Road and Water Control District Balance Sheet

<i>September 30, 2021</i>	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 1,481,902	\$ 368,281	\$ 1,850,183
Investment in state pool	117,592	-	117,592
Inventory	52,643	-	52,643
Prepaid items	5,224	-	5,224
Total assets	\$ 1,657,361	\$ 368,281	\$ 2,025,642
Liabilities and fund balances			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 16,481	\$ -	\$ 16,481
Total liabilities	16,481	-	16,481
Fund balances:			
Nonspendable:			
Inventory	52,643	-	52,643
Prepaid items	5,224	-	5,224
Assigned for capital projects	-	368,281	368,281
Unassigned	1,583,013	-	1,583,013
Total fund balances	1,640,880	368,281	2,009,161
Total liabilities and fund balances	\$ 1,657,361	\$ 368,281	\$ 2,025,642

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>	2021
Total fund balances - governmental funds	\$ 2,009,161
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	4,329,213
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences	(35,770)
Notes payable	(138,409)
Net position of governmental activities	\$ 6,164,195

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

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

	General Fund	Capital Projects Fund	Total Governmental Funds
<i>For the year ended September 30, 2021</i>			
Revenues			
Charges for services	\$ 349,699	\$ -	\$ 349,699
Special assessments	1,014,173	247,377	1,261,550
Miscellaneous	7,034	167	7,201
Total revenues	1,370,906	247,544	1,618,450
Expenditures			
Current:			
Physical environment	501,979	2,385	504,364
Transportation	463,365	2,201	465,566
Capital outlay	227,710	199,423	427,133
Debt service:			
Principal	65,714	-	65,714
Interest	7,142	-	7,142
Total expenditures	1,265,910	204,009	1,469,919
Excess (deficiency) of revenues over (under) expenditures	104,996	43,535	148,531
Net change in fund balances	104,996	43,535	148,531
Fund balances, beginning of year	1,535,884	324,746	1,860,630
Fund balances, end of year	\$ 1,640,880	\$ 368,281	\$ 2,009,161

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

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

<i>For the year ended September 30,</i>	<i>2021</i>
Net change in fund balances - total governmental funds	\$ 148,531
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	427,133
Current year depreciation	(746,543)
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.	(7,529)
Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	65,714
Change in net position of governmental activities	\$ (112,694)

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 2020-2021 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, 2021.

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:

Capital asset classes	Lives
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 27, 2022 and determined there were no events that occurred that required disclosure.

NOTE 2 – INVESTMENTS

The District's investments at September 30, 2021 are summarized in the following table:

	Amount	S&P Rating
Florida PRIME	\$ 117,592	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, 2021 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, 2021 was 49 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, 2021 was as follows:

	Balance October 1, 2020	Additions	Deletions	Balance September 30, 2021
Capital assets not being depreciated:				
Land	\$ 82,144	\$ -	\$ -	\$ 82,144
Capital assets being depreciated:				
Infrastructure	12,052,652	427,133	-	12,479,785
Buildings	72,601	-	-	72,601
Equipment	1,745,313	-	-	1,745,313
Total capital assets being depreciated	13,870,566	427,133	-	14,297,699
Less accumulated depreciation for:				
Infrastructure	7,986,571	661,262	-	8,647,833
Buildings	65,661	1,687	-	67,348
Equipment	1,251,855	83,594	-	1,335,449
Total accumulated depreciation	9,304,087	746,543	-	10,050,630
Total capital assets being depreciated, net	4,566,479	(319,410)	-	4,247,069
Capital assets, net	\$ 4,648,623	\$ (319,410)	\$ -	\$ 4,329,213

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

<i>For the year end September 30,</i>	<i>2021</i>
Governmental activities	
Physical environment	\$ 388,202
Transportation	358,341
Total depreciation expense - governmental activities	\$ 746,543

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, 2021, the principal outstanding on the note was \$138,409.

Estimated future debt maturities are as follows:

<i>Years ending September 30,</i>	Principal	Interest
2022	\$ 68,014	\$ 4,844
2023	70,395	2,464
Totals	\$ 138,409	\$ 7,308

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

	Balance October 1, 2020	Additions	Deletions	Balance September 30, 2021	Due Within One Year
Note Payable	\$ 204,123	\$ -	\$ 65,714	\$ 138,409	\$ 68,014
Compensated absences	28,241	25,775	18,246	35,770	35,770
Total	\$ 232,364	\$ 25,775	\$ 83,960	\$ 174,179	\$ 103,784

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 \$20,530 to the plan for the year ended September 30, 2021.

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.

Flagler Estates Road and Water Control District

Notes to Financial Statements

NOTE 8 – UNCERTAINTIES

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the District. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain. The financial statement impact cannot be reasonably estimated at this time as the duration of the effects of the pandemic is uncertain.

Required Supplementary Information

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

<i>For the year ended September 30, 2021</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Charges for services	\$ 46,875	\$ 46,875	\$ 349,699	\$ 302,824
Special assessments	822,021	822,021	1,014,173	192,152
Miscellaneous	3,600	3,600	7,034	3,434
Total revenues	872,496	872,496	1,370,906	498,410
Expenditures				
Current:				
Physical environment	447,004	447,004	501,979	(54,975)
Transportation	412,619	412,619	463,365	(50,746)
Capital outlay	82,000	82,000	227,710	(145,710)
Debt service	-	-	72,856	(72,856)
Total expenditures	941,623	941,623	1,265,910	(324,287)
Excess (deficiency) of revenues over (under) expenditures	(69,127)	(69,127)	104,996	174,123
Net change in fund balance	(69,127)	(69,127)	104,996	174,123
Fund balances, beginning of year	1,535,884	1,535,884	1,535,884	-
Fund balances, end of year	\$ 1,466,757	\$ 1,466,757	\$ 1,640,880	\$ 174,123

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 and operations expenditures.

Supplementary Information

Flagler Estates Road and Water Control District Schedule of Expenditures

<i>For the year ended September 30, 2021</i>	General Fund	Capital Projects Fund	Total Governmental Funds
Salaries and wages	\$ 406,058	\$ -	\$ 406,058
Payroll taxes	30,858	-	30,858
Life and health insurance	101,592	-	101,592
Retirement	20,530	-	20,530
Vegetation control	40,322	-	40,322
Fuel	49,958	-	49,958
Repairs and supplies	135,033	-	135,033
Utilities and telephone	8,723	-	8,723
Insurance	61,173	-	61,173
Debt service	72,856	-	72,856
Legal and accounting	51,912	-	51,912
Travel	2,838	-	2,838
Tax collection expense	43,024	4,586	47,610
Engineering	1,526	-	1,526
Office supplies and postage	6,170	-	6,170
Other current charges	5,627	-	5,627
Capital outlay	227,710	199,423	427,133
Total expenditures	\$ 1,265,910	\$ 204,009	\$ 1,469,919

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

MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the Flagler Estates Road and Water Control District (the "District"), as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated June 27, 2022.

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 27, 2022, 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. If the audit findings in the preceding audit report are uncorrected, we are required to identify those findings that were also included in the second preceding audit report. 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.

Specific Information

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

- a. The total number of District employees compensated in the last pay period of the District's fiscal year as 7.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the District's fiscal year as not applicable.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as 586,257.
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as not applicable.
- e. Each construction project with a total cost of at least \$65,000 approved by the District that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as not applicable.
- f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the District amends a final adopted budget under Section 189.016(6), Florida Statutes, as included in the Required Supplementary Information as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.

Specific Information

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

- a. The rate or rates of non-ad valorem special assessments imposed by the District as \$175 per acre.

- b. The total amount of special assessments collected by or on behalf of the District as \$1,261,550.
- c. No outstanding bonds issued by the District.

Additional Matters

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

Purpose of this Letter

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

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

Carr, Rigg & Chapman, L.L.C.

Jacksonville, Florida
June 27, 2022

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

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

We 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, 2021, 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 27, 2022.

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 2021-001 and 2021-002 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying Schedule of Findings as item 2021-003.

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.

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

Jacksonville, Florida
June 27, 2022

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

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

We have examined Flagler Estates Road and Water Control District's (the "District") compliance with the specified requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2021. Management of the District is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements based on our examination.

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

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

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2021.

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 27, 2022

Flagler Estates Road and Water Control District Schedule of Findings

2021-001 (Reported in previous audit reports as items 2020-001 and 2019-001)

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.

2021-002 (Reported in previous audit reports as items 2020-002 and 2019-002)

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

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

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

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

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

Flagler Estates Road and Water Control District Schedule of Findings

2021-003 **Criteria** – Pursuant to Section 189.016, Florida Statutes, the District should operate within its approved budget.

Condition – The District over expended its General Fund budget by approximately \$324,000.

Cause – The District did not implement budgetary controls and monitoring at the fund level.

Effect – The District is not in compliance with Section 189.016, Florida Statutes.

Recommendation – The District should implement budgetary controls and monitoring at the fund level at a minimum.

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

Flagler Estates Road & Water Control District

June 27, 2022

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

Dear Ms. Norman:

I write to you in response to the findings note in the audit of Flagler Estates Road & Water Control District, prepared by Carr, Riggs, & Ingram, LLC for the year ended September 30, 2021.

Finding 2021-001- 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 2021-002- Preparation of Financial Statements

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

Findings 2021-003 – Budget

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

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

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

Sincerely,



William H. Fisher,

President, Board of Supervisors