HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

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HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT

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INDEPENDENT AUDITORS' REPORT

Board of Supervisors
Highlands Soil and Water Conservation District
Sebring, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, and each major fund of Highlands Soil and Water Conservation District (the "District"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the District, as of September 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Highlands Soil and Water Conservation District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Highlands Soil and Water Conservation District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Highlands Soil and Water Conservation District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Highlands Soil and Water Conservation District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules, schedules of District's proportionate share of net pension liability, and schedules of District's contributions for the Florida Retirement System (FRS) and Health Insurance Subsidy (HIS), as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by Chapter 10.550, Rules of the Auditor General, and is not a required part of the basic financial statements.

The schedule of expenditures of state financial assistance 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. Such 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 schedule of expenditures of state financial assistance is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Board of Supervisors
Highlands Soil and Water Conservation District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2024, on our consideration of Highlands Soil and Water Conservation 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 Highlands Soil and Water Conservation 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 Highlands Soil and Water Conservation District's internal control over financial reporting and compliance.

Wicks, Brown, Williams & Co., CPA's LLP
Sebring, Florida

May 21, 2024

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023
(UNAUDITED)

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of Highlands Soil and Water Conservation District (the "District") for the year ended September 30, 2023, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. The MD&A, the financial statements, and notes thereto, are the responsibility of District management.

Overview of the Financial Statements

The basic financial statements consist of three components:

- Government-wide financial statements;
- Fund financial statements; and
- Notes to financial statements.

Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the District presented on the accrual basis of accounting.

The ***statement of net position*** provides information about the District's financial position, its assets, deferred outflows of resources, liabilities, and deferred inflows of resources using an economic resources measurement focus. The difference between the assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the net position, is a measure of the financial health of the District.

The ***statement of activities*** presents information about the change in the District's net position, the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating. Over a period of time, changes in the District's net position are an indication of improving or deteriorating financial condition. This information should be evaluated in conjunction with other nonfinancial factors, such as changes in the local economy and the level of grant activity.

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others are created by legal agreements, such as bond covenants. Fund financial statements provide more detailed information about the District's financial activities, focusing on its most significant or "major" funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide statements.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. The governmental funds statements provide a detailed short-term view that may be used to evaluate the District's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities differences. The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, BMP #26796, BMP #27694, BMP #28763 and LPA #0447.

The District adopts an annual appropriated budget for its General Fund and each special revenue fund. A budgetary comparison schedule has been provided for the General Fund and each major special revenue fund to demonstrate compliance with the budget.

Notes to Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $1,018,781 at the close of the most recent fiscal year and represents the District's net position.

Of this amount, the District had $39,270 classified as net investment in capital assets. The remaining $979,511 of net position is unrestricted and may be used to meet the District's on going obligations to citizens. In addition, the District reports a long term net pension liability of $224,517, which is an increase of $18,600 from the prior year.

At September 30, 2023 total assets decreased $76,895, deferred outflow of resources decreased $16,278, liabilities decreased $210,294, and deferred inflow of resources increased $3,528, resulting in an increase in net position for the year ended September 30, 2023 of $113,593. The primary reason for the change in assets and liabilities is related to a decrease in cash advances from grants of $228,894 at the end of the current year when compared to the prior year. In addition, the District's net pension liability increased $18,600, which was offset by a decrease in deferred outflows of $16,278. The increase in net position is discussed below under the table for the statement of activities.

The table on the next page reflects a condensed statement of net position for the current year as compared to the prior year.

Highland Soil and Water Conservation District's Net Position

	2023	2022	Change
Current assets	$2,518,330	$2,595,466	$ (77,136)
Capital assets	39,270	39,029	241
Total assets	2,557,600	2,634,495	(76,895)
Deferred outflow of resources	50,231	66,509	(16,278)
Current liabilities	1,319,528	1,548,422	(228,894)
Long-term liabilities:			
Net pension liability	224,517	205,917	18,600
Total liabilities	1,544,045	1,754,339	(210,294)
Deferred inflow of resources	45,005	41,477	3,528
Net position:			
Net investment in capital assets	39,270	39,029	241
Unrestricted	979,511	866,159	113,352
Total net position	$1,018,781	$ 905,188	$ 113,593

The following table reflects a condensed statement of activities for the current year as compared to the prior year.

Highlands Soil and Water Conservation District's Changes in Net Position

	2023	2022	Change
Expenses			
General government			
General and administrative	$ 90,446	$ 75,762	$ 14,684
Personal services	316,686	332,384	(15,698)
Physical environment	4,980,675	2,802,462	2,178,213
Total Expenses	5,387,807	3,210,608	2,177,199
Program Revenues			
Operating grants	5,491,642	3,137,657	2,353,985
Net program revenues (expenses)	103,835	(72,951)	176,786
General Revenues			
Miscellaneous	1,750	645	1,105
Investment earnings	8,008	8,984	(976)
Total General Revenues	9,758	9,629	129
Change in net position	113,593	(63,322)	176,915
Net position - beginning of the year	905,188	968,510	(63,322)
Net position - ending of the year	$1,018,781	$ 905,188	$ 113,593

Revenue from operating grants and physical environment expenses increased $2,353,985 and $2,178,213, respectively, in the current year. The primary reason for the increase is because of the higher dollar amount of grant activity the District administered for State grantor agencies. The purpose of the grants is to assist various agriculture producers to achieve Best Management Practices and for Water Quality Restoration projects. Management fees earned by the District on these grants are based on either 2% or 5% of grant expenditures, depending on the contract, and amounted to $244,317, which was an increase of $160,676 compared to the prior year.

The decrease in personal services of $15,698 is due to a decrease in wages of approximately $30,000 and a $15,000 increase in the cost of employee benefits. Wages and associated costs were reimbursed under a grant at a rate of 75% to 100% of total costs. General and administrative expenses increased $14,684.

Budgetary Highlights

Budgetary comparison schedules for the general and special revenue funds are contained on pages 35-39. The budgets for the fiscal year ended September 30, 2023 were developed based on the District's anticipated revenues and expenditures for the fiscal year ended September 30, 2023. Budgetary amendments approved during the year provided for a decrease in budgetary appropriations of $62,107 in the General Fund, an increase of $2,286 in BMP #27694, and an increase of $2,972,916 in BMP #28763. There were no amounts included in the original adopted budget for Funds BMP #26796 and LPA #0447, and budgetary amounts provided for appropriations of $157,202 and $166,367 in each fund, respectively.

During the year, the General Fund's budget for revenues was decreased $130,378 and transfers in was increased $144,257 because of the timing of producer payments for administered grants.

None of the variations with the final budget are expected to have a significant effect on future services or liquidity.

Capital Assets and Debt Administration

Capital Assets – The District's investment in capital assets for its governmental activities as of September 30, 2023, amounted to $39,270 (net of accumulated depreciation). This investment in capital assets includes equipment and three vehicles.

Highlands Soil and Water Conservation District's Capital Assets

	Governmental Activities
Equipment - MIL	$ 24,745
Vehicles	92,020
Less accumulated depreciation	(77,495)
Total	$ 39,270

Long-term Debt – At September 30, 2023, the District had no outstanding long-term debt to creditors and the only debt was for its net pension obligation of $224,517. See Note 8 for additional details.

Economic Factors and the 2023/2024 Budget

With the increased awareness and concerns over the future of water quality and supply, additional opportunities are being presented for the District to manage contracts. The District expects additional grant revenue from the Florida Department of Agriculture and Consumer Services in fiscal year 2023-24, which also provides additional administrative fees at either 2% or 5% of expenditures made by the District.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning the financial statements, budgets, long-term financial planning, or questions related to the management of District operations should be addressed to the District's Executive Director at:

Ms. Susie Bishop, Executive Director
Highlands Soil & Water Conservation District
4505 George Boulevard
Sebring, FL 33875

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HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT

STATEMENT OF NET POSITION

SEPTEMBER 30, 2023

	Governmental Activities
Assets	
Current Assets:	
Cash and cash equivalents	$ 2,509,162
Due from other governments	9,168
Total Current Assets	2,518,330
Non-Current Assets:	
Capital assets, net	39,270
Total Non-Current Assets	39,270
Total Assets	2,557,600
Deferred Outflow of Resources	
Deferred outflows related to pensions	50,231
Liabilities	
Current Liabilities:	
Refundable advances	1,319,528
Total Current Liabilities	1,319,528
Long-Term Liabilities:	
Net pension liability	224,517
Total Long-Term Liabilities	224,517
Total Liabilities	1,544,045
Deferred Inflow of Resources	
Deferred inflows related to pensions	45,005
Net Position	
Net investment in capital assets	39,270
Unrestricted	979,511
Total Net Position	$ 1,018,781

The notes to the financial statements are an integral part of this statement.

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Governmental Activities
Expenses	
General government	
General and administrative	$ 90,446
Personal services	316,686
Physical environment	
Operating expense	4,980,675
Total expenses	5,387,807
Program Revenues	
Operating grants	5,491,642
Net program revenues	103,835
General Revenues	
Miscellaneous	1,750
Interest earnings	8,008
Total general revenues	9,758
Change in Net Position	113,593
Net Position - October 1, 2022	905,188
Net Position - September 30, 2023	$ 1,018,781

The notes to the financial statements are an integral part of this statement.

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

SEPTEMBER 30, 2023

	General Fund	BMP #27694	BMP #28763
Assets			
Cash and cash equivalents	$ 1,229,371	$ 279,541	$ 1,000,000
Due from other funds	250	-	-
Due from other governments	9,168	-	-
Total Assets	$ 1,238,789	$ 279,541	$ 1,000,000
Liabilities and Fund Balances			
Liabilities			
Due to other funds	$ -	$ -	$ -
Refundable advances	39,987	279,541	1,000,000
Total Liabilities	39,987	279,541	1,000,000
Fund Balances			
Unassigned	1,198,802	-	-
Total Fund Balances	1,198,802	-	-
Total Liabilities and Fund Balances	$ 1,238,789	$ 279,541	$ 1,000,000

The notes to the financial statements are an integral part of this statement.

LPA #0447	Total Governmental Funds
$ 250	$ 2,509,162
-	250
-	9,168
$ 250	$ 2,518,580
$ 250	$ 250
-	1,319,528
250	1,319,778
-	1,198,802
-	1,198,802
$ 250	$ 2,518,580

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

Fund Balances - Governmental Funds	$1,198,802
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Capital assets, depreciable - net	39,270
Deferred outflow of resources are not financial resources and, therefore, are not reported in the funds.	50,231
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(224,517)
Deferred inflow of resources are not financial resources and, therefore, are not reported in the funds.	(45,005)
Net Position - Governmental Activities	$1,018,781

The notes to the financial statements are an integral part of this statement.

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HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund	BMP #26796	BMP #27694
Revenues			
Intergovernmental revenue	$ 266,650	$ 160,346	$ 893,400
Miscellaneous income	1,750	-	-
Interest income	8,008	-	-
Total revenues	276,408	160,346	893,400
Expenditures			
Current			
General government			
General and administrative	78,850	-	-
Personal services	278,280	-	-
Physical environment			
Operating expenditures	-	157,202	850,857
Capital outlay	11,837	-	-
Total expenditures	368,967	157,202	850,857
Excess (deficiency) of revenues over expenditures	(92,559)	3,144	42,543
Other financing sources (uses)			
Transfers in	244,317	-	-
Transfers out	-	(3,144)	(42,543)
Total other financing sources (uses)	244,317	(3,144)	(42,543)
Net change in fund balances	151,758	-	-
Fund balances - October 1, 2022	1,047,044	-	-
Fund balances - September 30, 2023	$ 1,198,802	$ -	$ -

The notes to the financial statements are an integral part of this statement.

BMP #28763	LPA #0447	Total Governmental Funds
$ 3,996,561	$ 174,685	$ 5,491,642
-	-	1,750
-	-	8,008
3,996,561	174,685	5,501,400
-	-	78,850
-	-	278,280
3,806,249	166,367	4,980,675
-	-	11,837
3,806,249	166,367	5,349,642
190,312	8,318	151,758
-	-	244,317
(190,312)	(8,318)	(244,317)
(190,312)	(8,318)	-
-	-	151,758
-	-	1,047,044
$ -	$ -	$ 1,198,802

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Net Change in Fund Balances - Governmental Funds	$151,758
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Depreciation expense	(11,596)
Capital outlays	11,837
Some expenses reported in the statement of activities do not require the use of current finnancial resources and, therefore, are not reported as expenditures in governmental funds.	(38,406)
Change in Net Position - Governmental Activities	$113,593

The notes to the financial statements are an integral part of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Highlands Soil and Water Conservation District (the "District") has direct responsibility for operation, control, and supervision of its conservation projects and is considered a primary government for financial reporting purposes. As such, the District conforms to the standards of the Governmental Accounting Standards Board (GASB).

The following summary of the District's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

A. Reporting Entity

Highlands Soil and Water Conservation District was formed February 5, 1942 and is a governmental sub-division of the State of Florida, and is authorized under Florida Statutes Chapter 582. The District forms partnerships with federal, state and local governments, as well as private organizations, to help carry out a variety of environmental and educational programs, provide technical assistance, and other services to help land users protect natural resources.

The District is an independent special district administered by a five-member board of supervisors elected by the voters of Highlands County. All of the funds relevant to the operation of the District are included within the presented financial statements. There are not any separately administered organizations, which are controlled by, or dependent on the District. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board. Therefore, in accordance with U.S. generally accepted accounting principles, the District has determined that there are not any potential component units that it must include within its financial statements.

B. Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements:

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the activities of the District. The effect of interfund balances has been removed from the statement of net position. The District has only governmental activities and does not engage in any business-type activities. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include operating grants.

Fund Financial Statement Presentation:

Fund financial statements of the District are organized into funds, each of which is considered to be a separate accounting entity. Each fund consists of a separate set of self-balancing accounts with assets, liabilities, fund equity, revenues and expenditures.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, and other restrictions.

GASB Statement No. 34 sets forth minimum criteria (percentage of assets, deferred outflows, liabilities, deferred inflows, revenues or expenditures/expenses) for the determination of major funds. The District has used GASB Statement No. 34 minimum criteria for major fund determination. The District has also elected to treat Fund BMP #26796 and LPA #0447 as major funds, although they do not meet the quantitative criteria. Major governmental funds are reported as separate columns in the fund financial statements.

The following is a brief description of the funds used by the District.

Major Governmental Funds:

General Fund – This fund is the District's primary operating fund and accounts for all financial resources not required to be accounted for in another fund.

Producer Cost-Share Funds (BMP #26796, BMP #27694, and BMP #28763) These special revenue funds account for revenues and expenditures of individual grants with the Florida Department of Agriculture and Consumer Services to assist local agricultural producers with the development and engineering, design and implementation of agricultural best management practices.

Water Quality Restoration (LPA #0447) This special revenue fund accounts for revenues and expenditures of an individual grant with the Florida Department of Environmental Protection to assist with local water quality restoration projects.

C. 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District's Board has provided otherwise in its commitment or assignment actions.

D. Cash and Cash Equivalents

For financial reporting purposes, the District considers cash and cash equivalents to be cash on hand, cash in banks, certificates of deposits, regardless of maturity, and short-term investments with maturities less than three months when acquired, including restricted assets.

E. Capital Assets

Capital assets purchased in the governmental funds are recorded as expenditures at time of purchase. Such assets are recorded at historical cost or estimated historical cost. Capital assets are defined as assets with a cost of $2,000 or more that have a useful life that extends beyond one year. Donated capital assets are recorded at acquisition value at the date of donation. Depreciation on capital assets is a direct charge using the straight-line method over the estimated useful lives of the various classes of depreciable assets.

F. Refundable Advances

The District receives advances from certain grants it administers and accounts for these advances as a liability. If the District does not spend the grant dollars it is required to refund the money back to the granting source.

G. Interfund Receivables and Payables

During the course of operations, transactions occur between individual funds for services rendered. Short-term interfund loans are classified as "due to/from other funds." All short-term interfund receivables and payables are planned to be eliminated shortly after year end.

H. Compensated Absences

The Executive Director's contract allows for payment of unused vacation days upon termination or resignation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Deferred Outflows / Inflows of Resources

The District has one item that qualifies for reporting as deferred outflows of resources, which is reported in the government-wide statement of net position. This item is the deferred outflow related to pensions. The deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liability in future reporting years. Details on the composition of deferred outflows related to pensions are reported in a subsequent note.

The District has one item that qualifies for reporting as deferred inflows of resources in the government-wide statement of net position. This item is the deferred inflow related to pensions. The deferred inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting years. Details on the composition of deferred inflows related to pensions are reported in a subsequent note.

J. Pensions

In the government-wide statement of net position, liabilities are recognized for the Highlands Soil and Water Conservation District's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS and the HIS fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, defined benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with benefits terms. Investments are reported at fair value.

K. Use of Estimates

The preparation of financial statements in conformity with the U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Government-wide Net Position

Government-wide net position is divided into three categories:

- Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding and was used to finance those assets.
- Restricted – consist of amounts constrained to specific purposes by their providers (such as grantors, bondholders, higher levels of government, and contributors), through constitutional provisions, by enabling legislation, or contributor restrictions.
- Unrestricted – all other net position is reported in this category.

M. Governmental Fund Balances

Governmental fund balances consist of the following:

- Nonspendable – amounts that are not in spendable form (such as prepaid items or long term investments) or are required to be maintained intact.
- Restricted – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board members) and its highest level action (i.e. Resolution). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned – amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Supervisors.
- Unassigned – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The District's Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the District Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

NOTE 2 – RECONCILIATION OF THE GOVERNMENT-WIDE AND FUND FINANICAL STATEMENTS AND ELIMINATIONS

Transfers in and transfers out in the amount of $244,317 have been eliminated in the presentation of governmental activities in the statement of net position and statement of activities.

NOTE 3 - CASH AND INVESTMENTS

Cash and cash equivalents at September 30, 2023 consist of:

Demand deposits	$ 1,732,346
Certificates of deposit	776,816
Total cash and cash equivalents	$ 2,509,162

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Florida Statutes require state and local governmental units to deposit monies with financial institutions classified as "Qualified Public Depositories." This pool is provided as additional insurance to the federal depository insurance and allows for additional assessments against the member institutions, providing full insurance for public deposits. The District's deposits were entirely covered by federal depository insurance, securities investor protection or guaranteed by qualified public depositories in Florida pursuant to Chapter 280.07, Florida Statutes, as of September 30, 2023.

NOTE 4 – INTERFUND TRANSFERS:

During the year ended September 30, 2023, the District reported interfund transfers of $244,317, from the governmental funds that administered the grants to the General Fund. This amount represents the administrative portion of grant funds earned by the District under the terms of the grant agreements.

NOTE 5 – FACILITY AND ADMINISTRATIVE ASSISTANCE

The District is provided office space and equipment by the Highlands County Board of County Commissioners. The District is not charged rent for the facility or use of the equipment. No provision has been made in the financial statements to reflect the amount of contributed rent. Management does not expect this arrangement to change.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023 was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Equipment	$ 12,908	$ 11,837	$ -	$24,745
Vehicles	92,020	-	-	92,020
Less accumulated depreciation	(65,899)	(11,596)	-	(77,495)
Total capital assets being depreciated, net	$ 39,029	$ 241	$ -	$39,270

Depreciation expense for the year amounted to $11,596.

NOTE 7 – RISK MANAGEMENT PROGRAMS

The District carries professional liability insurance on directors and officers, automobile and general liability insurance on its equipment and vehicles, and worker's compensation insurance on its employees.

NOTE 8 – RETIREMENT PLAN

General Information about the Florida Retirement System

The FRS was created by Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the District are eligible to enroll as members of the State-administered FRS. Provisions related to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-

NOTE 8 – RETIREMENT PLAN (continued)

employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Website (www.dms.myflorida.com).

The District's FRS and HIS pension expense totaled $60,567 for the fiscal year ended September 30, 2023.

FRS Pension Plan

Plan Description – The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with DROP for eligible employees. The general classes of membership are as follows: *Regular Class* – Members of the FRS who do not qualify for membership in the other classes and *Senior Management Service Class (SMSC)* – Members in senior management level positions.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of the Plan may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided – Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

NOTE 8 – RETIREMENT PLAN (continued)

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement up to age 63 or up to 31 years of service	1.63
Retirement up to age 64 or up to 32 years of service	1.65
Retirement up to age 65 or up to 33 or more years of service	1.68
Regular Class members initially enrolled after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement up to age 66 or up to 34 years of service	1.63
Retirement up to age 67 or up to 35 years of service	1.65
Retirement up to age 68 or up to 36 or more years of service	1.68
Senior Management Service Class	2.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions – The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2022-23 fiscal year were as follows:

	July 1, 2022 Percent of Gross Salary		July 1, 2023 Percent of Gross Salary	
Class	Employee	Employer (1)	Employee	Employer (1)
FRS, Regular	3.0%	10.25%	3.0%	11.91%
FRS, Senior Management Service	3.0%	29.91%	3.0%	32.86%
FRS, DROP	0.0%	16.94%	0.0%	19.47%

Notes: (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than the DROP participants, include 0.06 percent for administrative costs of the investment plan.

(2) Contribution rates are dependent upon retirement class in which reemployed.

The District's contributions, including employee contributions, to the Pension Plan totaled $22,332 for the fiscal year ended September 30, 2023.

NOTE 8 – RETIREMENT PLAN (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2023, the District reported a liability of $136,997 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023. The District's proportionate share of the net pension liability was based on the District's contributions received by FRS during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023, relative to the total employer contributions received from all participating employers. At June 30, 2023, the District's proportionate share was .000343808 percent, which was a decrease of .000029666 percent from its proportionate share measured as of June 30, 2022.

For the fiscal year ended September 30, 2023, the District recognized pension expense of $27,710. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 12,863	$ -
Change of actuarial assumptions	8,931	-
Net difference between projected and actual earnings on Pension Plan investments	5,721	-
Changes in proportion and differences between District Pension Plan contributions and proportionate share of contributions	4,777	15,689
District Pension Plan contributions subsequent to the measurement date	5,793	-
Total	$ 38,085	$ 15,689

NOTE 8 – RETIREMENT PLAN (continued)

The deferred outflows of resources related to the Pension Plan, totaling $5,793 resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Year Ending September 30	Amount
2024	$ 685
2025	(5,205)
2026	20,928
2027	62
2028	133
Thereafter	-

Actuarial Assumptions – The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.40 %
Salary increases	3.25%, average, including inflation
Investment rate of return	6.70%, net of pension plan investment expense, including inflation

Mortality assumptions for the FRS Pension Plan and the HIS Program were based on the PUB-2010 base table, projected generationally with Scale MP-2018.

The actuarial assumptions used in the July 1, 2023, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. For the FRS Pension Plan, the decreased investment return assumption of 6.70% was adopted by the Florida Retirement System Actuarial Assumption Conference.

The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

NOTE 8 – RETIREMENT PLAN (continued)

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	2.90%	2.90%	1.10%
Intermediate-Term Bonds	19.80%	4.50%	4.40%	3.40%
Global equity	54.00%	8.70%	7.10%	18.10%
Real estate	10.30%	7.60%	6.60%	14.80%
Private equity	11.10%	11.90%	8.80%	26.30%
Strategic investments	3.80%	6.30%	6.10%	7.70%
Total	100.00%			
Assumed Inflation - Mean			2.4%	1.4%

(1) As outlined in the Pension Plan's investment policy

Discount Rate - The discount rate used to measure the total pension liability was 6.70%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Pension Liability Sensitivity - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.70%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.70%) or one percentage point higher (7.70%) than the current discount rate:

	1% Decrease (5.70%)	Current Discount Rate (6.70%)	1% Increase (7.70%)
District's proportionate share of the net pension liability	$ 234,018	$ 136,997	$ 55,827

Pension Plan Fiduciary Net Position - Detailed information regarding the FRS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan – At September 30, 2023, the District reported no payable for outstanding contributions to the Plan required for the fiscal year ended September 30, 2023.

NOTE 8 – RETIREMENT PLAN (continued)

HIS Plan

Plan Description – The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided – For the fiscal year ended September 30, 2023, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363 Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions – The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2023, the HIS contribution rate was 1.66% of payroll pursuant to Section 112.365, Florida Statutes. The District contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contribution are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The District's contributions to the HIS Plan totaled $4,868 for the fiscal year ended September 30, 2023.

Pension Costs – At September 30, 2023, the District reported a liability of $87,520 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation prepared as of July 1, 2023. The District's proportionate share of the net pension liability was based on the District's contributions received by HIS during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023, relative to the total employer contributions received from all participating employers. At June 30, 2023, the District's proportionate share was 0.000510820 percent, which was a decrease of .000121328 percent from its proportionate share measured as of June 30, 2022.

For the fiscal year ended September 30, 2023, the District recognized pension expense of $32,857. In addition, the District reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

NOTE 8 – RETIREMENT PLAN (continued)

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,281	$ 205
Change of actuarial assumptions	2,301	7,584
Net difference between projected and actual earnings on HIS Plan investments	45	-
Changes in proportion and differences between District HIS Plan contributions and proportionate share of contributions	7,276	21,527
District HIS Plan contributions subsequent to the measurement date	1,243	-
Total	$ 12,146	$ 29,316

The deferred outflows of resources related to the HIS Plan, totaling $1,243 resulting from District contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized as an increase in pension expense as follows:

Year Ending September 30	Amount
2024	$ (2,744)
2025	(4,809)
2026	(5,215)
2027	(3,050)
2028	(1,798)
Thereafter	(797)

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of the valuation date of July 1, 2023 calculated based on the discount rate and actuarial assumptions below, and then was projected to the measurement date:

	June 30, 2023
Inflation	2.40%
Salary increases, including inflation	3.25%
Municipal bond rate	3.54%

NOTE 8 – RETIREMENT PLAN (continued)

Mortality assumptions for the FRS Pension Plan and the HIS Program were based on the PUB-2010 base table, projected generationally with Scale MP-2018.

The actuarial assumptions used in the July 1, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

The following changes in actuarial assumptions occurred in 2023:

HIS: The discount rate was modified to reflect the change in the value of the municipal bond index between GASB measurement dates.

HIS: Chapter 2023-193, Laws of Florida (Senate Bill 7024), increased the level of monthly benefits from $5 times years of service to $7.50, with an increased minimum of $45 and maximum of $225. This change applies to all years of service for both members currently receiving benefits and members not yet receiving benefits.

Discount Rate - The discount rate used to measure the total pension liability was 3.65% for the HIS Plan. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index, which was adopted as the applicable municipal bond index.

Pension Liability Sensitivity - The following represents the District's proportionate share of the net pension liability for the HIS Plan calculated using the discount rate of 3.65%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower (2.65%) or one percentage point higher (4.65%) than the current discount rate:

	1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
District's proportionate share of the net pension liability	$ 92,551	$ 81,125	$ 71,654

Pension Plan Fiduciary Net Position - Detailed information regarding the HIS Plan's fiduciary net position is available in a separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

NOTE 8 – RETIREMENT PLAN (continued)

Payable to the Pension Plan – At September 30, 2023, the District reported no payable for outstanding contributions to the HIS Plan required or the fiscal year ended September 30, 2023.

NOTE 9 – ECONOMIC DEPENDENCY

Contracts with the State of Florida Department of Agriculture and Consumer Services represent 96.5% of total revenues recognized by the District. A majority, or 91.8%, of total revenues are from contracts that are administered and paid to local agriculture producers for implementation of agriculture best management practices. The District receives an administrative fee between 2% and 5% on contracts of this nature, and future revenues, at the current fiscal year's level, are dependent on the District receiving these contracts in the future. However, management believes the District would remain in existence if the funding ceased from this source.

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2023

(UNAUDITED)

	Budget			Variance Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
Intergovernmental revenue	$ 397,515	$ 266,650	$ 266,650	$ -
Miscellaneous	1,500	1,750	1,750	-
Interest revenue	7,771	8,008	8,008	-
Total revenues	406,786	276,408	276,408	-
Expenditures				
Current				
General government				
General and administrative	72,400	78,850	78,850	-
Personal services	358,674	278,280	278,280	-
Capital outlay	-	11,837	11,837	-
Total expenditures	431,074	368,967	368,967	-
Excess (deficiency) of revenues over expenditures	(24,288)	(92,559)	(92,559)	-
Other financing sources				
Transfers in	102,116	246,373	244,317	(2,056)
Total other financing sources	102,116	246,373	244,317	(2,056)
Net change in fund balance	77,828	153,814	151,758	(2,056)
Fund balances - October 1, 2022	1,047,044	1,047,044	1,047,044	-
Fund balances - September 30, 2023	$1,124,872	$1,200,858	$1,198,802	$ (2,056)

See Independent Auditor's Report and accompanying notes to this schedule.

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT

BUDGETARY COMPARISON SCHEDULE – BMP #26796

FOR THE YEAR ENDED SEPTEMBER 30, 2023

(UNAUDITED)

	Budget			Variance Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
Intergovernmental revenue	$ -	$ 160,346	$ 160,346	$ -
Total revenues	-	160,346	160,346	-
Expenditures				
Physical environment				
Operating expenditures	-	157,202	157,202	-
Total expenditures	-	157,202	157,202	-
Excess (deficiency) of revenues over expenditures	-	3,144	3,144	-
Other financing sources (uses)				
Transfers out	-	(3,144)	(3,144)	-
Total other financing sources (uses)	-	(3,144)	(3,144)	-
Net change in fund balance	-	-	-	-
Fund balances - October 1, 2022	-	-	-	-
Fund balances - September 30, 2023	$ -	$ -	$ -	$ -

See Independent Auditor's Report and accompanying notes to this schedule.

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT

BUDGETARY COMPARISON SCHEDULE – BMP #27694

FOR THE YEAR ENDED SEPTEMBER 30, 2023

(UNAUDITED)

	Budget			Variance Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
Intergovernmental revenue	$ 891,000	$ 893,400	$ 893,400	$ -
Total revenues	891,000	893,400	893,400	-
Expenditures				
Physical environment				
Operating expendiures	848,571	850,857	850,857	-
Total expenditures	848,571	850,857	850,857	-
Excess (deficiency) of revenues over expenditures	42,429	42,543	42,543	-
Other financing sources (uses)				
Transfers out	(42,429)	(44,081)	(42,543)	1,538
Total other financing sources (uses)	(42,429)	(44,081)	(42,543)	1,538
Net change in fund balance	-	(1,538)	-	1,538
Fund balances - October 1, 2022	-	-	-	-
Fund balances - September 30, 2023	$ -	$ (1,538)	$ -	$ 1,538

See Independent Auditor's Report and accompanying notes to this schedule.

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT

BUDGETARY COMPARISON SCHEDULE – BMP #28763

FOR THE YEAR ENDED SEPTEMBER 30, 2023

(UNAUDITED)

	Budget			Variance Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
Intergovernmental revenue	$ 875,000	$3,996,561	$3,996,561	$ -
Total revenues	875,000	3,996,561	3,996,561	-
Expenditures				
Physical environment				
Operating expenditures	833,333	3,806,249	3,806,249	-
Total expenditures	833,333	3,806,249	3,806,249	-
Excess (deficiency) of revenues over expenditures	41,667	190,312	190,312	-
Other financing sources (uses)				
Transfers out	(41,667)	(190,829)	(190,312)	517
Total other financing sources (uses)	(41,667)	(190,829)	(190,312)	517
Net change in fund balance	-	(517)	-	517
Fund balances - October 1, 2022	-	-	-	-
Fund balances - September 30, 2023	$ -	$ (517)	$ -	$ 517

See Independent Auditor's Report and accompanying notes to this schedule.

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT

BUDGETARY COMPARISON SCHEDULE – LPA #0447

FOR THE YEAR ENDED SEPTEMBER 30, 2023

(UNAUDITED)

	Budget			Variance Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
Intergovernmental revenue	$ -	$ 174,685	$ 174,685	$ -
Total revenues	-	174,685	174,685	-
Expenditures				
Physical environment				
Operating expenditures	-	166,367	166,367	-
Total expenditures	-	166,367	166,367	-
Excess (deficiency) of revenues over expenditures	-	8,318	8,318	-
Other financing sources (uses)				
Transfers out	-	(8,318)	(8,318)	-
Total other financing sources (uses)	-	(8,318)	(8,318)	-
Net change in fund balance	-	-	-	-
Fund balances - October 1, 2022	-	-	-	-
Fund balances - September 30, 2023	$ -	$ -	$ -	$ -

See Independent Auditor's Report and accompanying notes to this schedule.

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT

NOTES TO BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED SEPTEMBER 30, 2023
(UNAUDITED)

NOTE 1 – BUDGETARY INFORMATION

Budgets are prepared and adopted annually for the General Fund and each Special Revenue Fund in accordance with procedures and time intervals prescribed by Florida Statute 189.418(3). Accordingly, the Board adopted an annual budget for the General and Special Revenue Funds for the fiscal year ended September 30, 2023. The District is not required to submit its budget to any regulatory agencies.

The annual budget serves as the legal authorization for expenditures. Expenditures cannot legally exceed the total amount budgeted for each fund. All budget amendments, which change the legally adopted total appropriations for a fund, are approved by the Board and may be amended at any Board meeting prior to sixty (60) days after the fiscal year-end. The level of control for appropriations is exercised at the fund level. Appropriations lapse at year-end. Budgets are prepared using the same modified accrual basis as is used to account for actual transactions.

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY

FLORIDA RETIREMENT SYSTEM PENSION INFORMATION

SEPTEMBER 30,

(UNAUDITED)

	2023	2022	2021	2020
District's proportion of the net pension liability*	0.000343808%	0.000373474%	0.000392929%	0.000367216%
District's proportionate share of the net pension liability*	$ 136,997	$ 138,962	$ 29,681	$ 159,157
District's covered payroll*	$ 223,989	$ 233,038	$ 206,832	$ 242,148
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	61.16%	59.63%	14.35%	65.73%
Plan fiduciary net position as a percentage of the total pension liability	82.38%	82.89%	96.40%	78.85%

*The amounts presented for each fiscal year were determined as of June 30

See Independent Auditors' Report and accompanying notes,
Which are an integral part of this schedule.

2019	2018	2017	2016	2015	2014
0.000432797%	0.000434491%	0.000347413%	0.000249802%	0.000246059%	0.000114802%
$ 149,049	$ 130,871	$ 102,763	$ 63,075	$ 31,782	$ 7,005
$ 281,485	$ 278,743	$ 219,880	$ 164,672	$ 144,329	$ 92,945
52.95%	46.95%	46.74%	38.30%	22.02%	7.54%
82.61%	84.26%	83.89%	84.88%	92.00%	96.09%

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM PENSION INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30,
(UNAUDITED)

	2023	2022	2021	2020
Contractually required contribution	$ 16,539	$ 15,937	$ 14,969	$ 15,122
Contributions in relation to the contractually required contribution	16,539	15,937	14,969	15,122
Contributions deficiency (excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 293,253	$ 292,831	$ 257,470	$ 281,627
Contributions as a percentage of covered-employee payroll	5.64%	5.44%	5.81%	5.37%

See Independent Auditors' Report and accompanying notes,
Which are an integral part of this schedule.

2019	2018	2017	2016	2015	2014
$ 16,932	$ 15,686	$ 14,247	$ 7,030	$ 7,534	$ 4,075
16,932	15,686	14,247	7,030	7,534	4,075
$ -	$ -	$ -	$ -	$ -	$ -
$ 345,542	$ 266,551	$ 260,114	$ 160,261	$ 158,679	$ 103,684
4.90%	5.88%	5.48%	4.39%	4.75%	3.93%

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
HEALTH INSURANCE SUBSIDY PENSION INFORMATION
SEPTEMBER 30,
(UNAUDITED)

	2023	2022	2021	2020
District's proportion of the net pension liability*	0.000510820%	0.000632148%	0.000580741%	0.000693354%
District's proportionate share of the net pension liability*	$ 87,520	$ 66,955	$ 71,237	$ 84,657
District's covered payroll*	$ 223,989	$ 233,038	$ 206,832	$ 242,148
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	39.07%	28.73%	34.44%	34.96%
Plan fiduciary net position as a percentage total pension liability	4.12%	4.81%	3.56%	3.00%

*The amounts presented for each fiscal year were determined as of June 30

See Independent Auditors' Report and accompanying notes,
Which are an integral part of this schedule.

2019	2018	2017	2016	2015	2014
0.000825253%	0.000853437%	0.000689787%	0.000511492%	0.000464380%	0.000153128%
$ 92,338	$ 90,329	$ 73,755	$ 59,612	$ 47,359	$ 14,318
$ 281,485	$ 278,743	$ 219,880	$ 164,672	$ 144,329	$ 92,945
32.80%	32.41%	33.54%	36.20%	32.81%	15.40%
2.63%	2.15%	1.64%	0.97%	0.50%	7.65%

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
HEALTH INSURANCE SUBSIDY PROGRAM
FOR THE YEAR ENDED SEPTEMBER 30,
(UNAUDITED)

	2023	2022	2021	2020
Contractually required contribution	$ 4,868	$ 4,861	$ 4,274	$ 4,675
Contributions in relation to the contractually required contribution	4,868	4,861	4,274	4,675
Contributions deficiency (excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 293,253	$ 292,831	$ 257,470	$ 281,627
Contributions as a percentage of covered-employee payroll	1.66%	1.66%	1.66%	1.66%

See Independent Auditors' Report and accompanying notes,
Which are an integral part of this schedule.

2019	2018	2017	2016	2015	2014
$ 5,736	$ 4,425	$ 4,318	$ 2,692	$ 1,936	$ 1,265
5,736	4,425	4,318	2,692	1,936	1,265
$ -	$ -	$ -	$ -	$ -	$ -
$ 345,542	$ 266,551	$ 260,114	$ 160,261	$ 158,679	$ 103,684
1.66%	1.66%	1.66%	1.68%	1.22%	1.22%

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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
Highlands Soil and Water Conservation District
Sebring, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Highlands Soil and Water Conservation District (the "District"), Sebring, Florida, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 21, 2024.

Report on 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) as a basis for designing 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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.*

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.

Wicks, Brown, Williams & Co., CPA's LLP
Sebring, Florida

May 21, 2024

Wicks, Brown, Williams & Co., CPA's LLP

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

Board of Supervisors
Highlands Soil and Water Conservation District
Sebring, Florida

Report on Compliance for Each Major State Project

Opinion on Each Major State Project

We have audited the Highlands Soil and Water Conservation District, (the "District"), compliance with the types of compliance requirements described in the Department of Financial Services' *State Projects Compliance Supplement,* that could have a direct and material effect on each of the District's major State projects for the year ended September 30, 2023. The District's major State projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs – State Projects.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended September 30, 2023.

Basis for Opinion on Each Major State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state project. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's state projects.

Auditors' Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards,* and Chapter 10.550, Rules of the Auditor General will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each state project as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards,* and Chapter 10.550, Rules of the Auditor General, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with and Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility

that material noncompliance with a type of compliance requirement of a State project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Wicks, Brown, Williams & Co., CPA's LLP
Sebring, Florida

May 21, 2024

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2023

State Agency / State Project	CSFA Number	Grant/Contract Number	Expenditures
State Agency:			
Department of Agriculture and Consumer Services:			
Water Policy Best Management Practices - Cost Share			
MIL	42.017	27059	$ 156,403
Technician	42.017	26243	101,228
BMP	42.017	26796	160,346
BMP	42.017	27694	893,400
BMP	42.017	28763	3,996,561
Department of Environmental Protection:			
Statewide Water Quality Restoration Projects	37.039	0447	174,685
Total State Financial Assistance			$ 5,482,623

See Independent Auditor's Report and notes to schedule

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of State Financial Assistance includes the State grant activity of the Highlands Soil and Water Conservation District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Chapter 10.550, Rules of the Auditor General.

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – STATE PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Section I. Summary of Auditor's Results

inancial Statements:

Type of auditor's report issued:	Unmodified opinion	
Internal control over financial reporting:		
Material weaknesses identified	____ Yes	X No
Significant deficiencies identified	____ Yes	X None reported
Noncompliance material to financial statements noted	____ Yes	X No

tate Financial Assistance:

Internal control over each major State project:		
Material weaknesses identified	____ Yes	X No
Significant deficiencies identified	____ Yes	X None reported
Type of auditor's report issued on compliance for major State projects:	Unmodified opinion	
Any audit findings which are required to be reported under Chapter 10.557, Rules of the Auditor General	____ Yes	X None reported

Identification of major State projects:
CSFA Number(s), Name of Program

42.017, Water Policy Best Management Practices Cost Share

Dollar threshold used to distinguish between Type A and Type B for State projects: $ 750,000

Section II. Findings – Financial Statements:

There were no findings required to be reported under the Florida Single Audit Act.

Part III. Findings and Questioned Costs – Major State Projects

There were no findings required to be reported under the Florida Single Audit Act.

Part IV. Other Issues

No Corrective Action Plan is required because there were no findings required to be reported under the Florida Single Audit Act.

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MANAGEMENT LETTER

To the Board of Supervisors
Highlands Soil and Water Conservation District
Sebring, Florida

Report on the Financial Statements

We have audited the financial statements of the Highlands Soil and Water Conservation District, (the "District") as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated May 21, 2024.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent 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*, Independent Auditors' Report on Compliance for Each Major State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs - State Projects; 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 and schedule, which are dated May 21, 2024, 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. There were no findings and recommendations made in the preceding financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The name and legal authority for the District were disclosed in the notes to the financial statements. There were no component units related to the District.

Financial Condition and Management

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

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the 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.

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes. The District does not include any special district component units.

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

a. The total number of District employees compensated in the last pay period of the District's fiscal year as 5.

b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the District's fiscal year as 1.

c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as $293,253.

d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as $19,757.

e. There are no construction projects with a total cost of at least $65,000 approved by the District that are scheduled to begin on or after October 1 of the fiscal year being reported.

f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the District amends a final adopted budget under Section 189.016(6), Florida Statutes, as: see pages 35 through 39 of the financial statements.

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, State and other granting agencies, the Board of Supervisors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Wicks, Brown, Williams & Co., CPA's LLP
Sebring, Florida

May 21, 2024

Wicks, Brown, Williams & Co., CPA's LLP

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INDEPENDENT ACCOUNTANTS' REPORT

Board of Supervisors
Highlands Soil and Water Conservation District
Sebring, Florida

We have examined the Highlands Soil and Water Conservation District's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the fiscal year ended September 30, 2023. Management is responsible for the Highlands Soil and Water Conservation District's compliance with those requirements. Our responsibility is to express an opinion on the Highlands Soil and Water Conservation District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether Highlands Soil and Water District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether Highlands Soil and Water Conservation 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 ethical requirements relating to the examination engagement. Our examination does not provide a legal determination of Highlands Soil and Water Conservation District's compliance with the specified requirements.

Our examination disclosed the use of a brokerage account instead of a qualified public depository to purchase three certificates of deposit at three different FDIC insured financial institutions for $206,000, $200,000 and $100,000, which resulted in material non-compliance with Section 218.415, Florida Statutes, regarding investment of public funds.

In our opinion, except for the material noncompliance described in the preceding paragraph, the Highlands Soil and Water Conservation District complied with the aforementioned requirements for the year ended September 30, 2023.

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

Wicks, Brown, Williams & Co., CPA's LLP
Sebring, Florida
May 21, 2024