

**FLAGLER ESTATES ROAD AND WATER
CONSERVATION DISTRICT**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

SEPTEMBER 30, 2023

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INDEPENDENT AUDITOR’S REPORT ON FINANCIAL STATEMENTS

To the Governing Board
Flagler Estates Road and Water Control District
Hastings, Florida

Report on Financial Statements

I have audited the accompanying financial statements of the governmental activities and each Major Fund of Flagler Estates Road and Water Control District, Florida (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.

Management’s Responsibility for the Financial Statements

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

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

Auditor’s Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of

the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the General Fund of the District as of September 30, 2023, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information:

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information:

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Budgetary Comparison Schedule on page 27 is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Budgetary Comparison Schedule on page 27 is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures 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 my opinion, the combining and individual nonmajor fund financial statements is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued a report dated October 22, 2024 on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

James E. Davis
Certified Public Accountant

October 22, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Flagler Estates Road and Water Control District has prepared the following discussion and analysis to (a) assist the reader in focusing on significant financial issues; (b) provide an overview and analysis of the District's financial activities; (c) identify changes in the District's financial position; (d) identify material deviations from the approved budget; and (e) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transaction, events, and conditions, it should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 15 through 26.

Its intent is to provide a brief, objective and easily readable analysis of the District's financial performance for the year and its financial position at fiscal year-end September 30, 2023.

The financial statements for the Flagler Estates Road and Water Control District were audited for the year ended September 30, 2022 and the previous auditor issued a Disclaimer in lieu of a standard opinion. A standard opinion has been issued for the year ended September 30, 2023.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2022-23 fiscal year are as follows:

- The assets of the District's exceeded its liabilities at the close of the most recent fiscal year by \$6,105,995.
- The District's total net position, decreased by \$232,884.
- As of the close of the current fiscal year, the District's governmental fund reported a fund balance of \$2,247,747.
- During the current year, General Fund revenues were less than expenditures by \$47,050.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

- Government-wide financial statements
- Fund financial statements
- 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 assets and a statement of activities that are designed to provide consolidated financial information

MANAGEMENTS' DISCUSSION AND ANALYSIS - continued

about the governmental activities of the District presented on the accrual basis of accounting.

The statement of net assets provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the District. The statement of activities presents information about the change in the District's net assets, the results of operations, during the fiscal year. An increase or decrease in net assets may be an indication of whether the District's financial health is improving or deteriorating.

The government-wide statements present the District's activities in two categories:

- Governmental activities – This represents the District's water resources availability and maintain streets and roadways services. Support functions such as administration are also included. Support from the service revenue provides most of the resources that support these activities.
- Capital Projects Fund - To account for financial resources intended to be used for the acquisition or construction of major capital projects.

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. All of the District's funds may be classified within the category discussed below.

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. This 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.

MANAGEMENTS' DISCUSSION AND ANALYSIS - continued

The governmental fund 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.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's only fund, the General Fund.

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the District's net position as of September 30, 2023.

The District's net position are spread among cash equivalents, fixed assets and vehicles.

MANAGEMENTS' DISCUSSION AND ANALYSIS – continued

**NET POSITION -
END OF YEAR**
Governmental
Activities

	<u>9/30/2023</u>	<u>9/30/2022</u>
Non-capital assets	\$ 2,320,090	\$ 2,025,642
Capital assets	<u>3,933,891</u>	<u>4,329,213</u>
Total Assets	<u><u>6,253,981</u></u>	<u><u>6,354,855</u></u>
Current liabilities	<u>16,449</u>	<u>16,481</u>
Total current liabilities	16,449	16,481
Long-term debt	<u>90,994</u>	<u>70,395</u>
Total Liabilities	<u><u>107,443</u></u>	<u><u>86,876</u></u>
Net Position:		
Investment in Capital Assets	2,212,647	4,190,804
Unrestricted	<u>2,172,104</u>	<u>1,973,391</u>
Total Net Position	<u><u>\$ 6,146,538</u></u>	<u><u>\$ 6,267,979</u></u>

The key elements of the changes in the District's net position for the fiscal year ended September 30, 2023 are as follows:

Operating Results
Governmental
Activities

	<u>9/30/2023</u>	<u>9/30/2022</u>
Program Revenues		
Charges for Services	\$ 1,185,568	\$ 349,699
General Revenues		
Special assessments	946,946	1,261,550
Investment earnings	19,660	1,179
Miscellaneous	<u>14,355</u>	<u>6,022</u>
Total Revenue	<u><u>2,166,529</u></u>	<u><u>1,618,450</u></u>
Functions/Program Expenses:		
Physical environment - water control	1,106,112	1,000,181
Transportation	436,048	723,821
Depreciation	814,246	-
Interest expense on long-term debt	<u>2,464</u>	<u>7,142</u>
Total Functions/Program Expenses	<u><u>2,358,870</u></u>	<u><u>1,731,144</u></u>
Increase (Decrease) in Net Position	<u><u>\$ (192,341)</u></u>	<u><u>\$ (112,694)</u></u>

MANAGEMENTS' DISCUSSION AND ANALYSIS - continued

Governmental activities decreased the District's net position by \$232,884, or approximately 3.67 percent.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance was \$1,838,738 while the total fund balance was \$1,838,738. As a measure of the General Fund's liquidity, it may be useful to compare both the unreserved fund balance and total fund balance to total General Fund expenditures. Unreserved fund balance represents 1.07 percent of total General Fund expenditures, while total fund balance represents 1.07 percent of that same amount. The unreserved total fund balance of the General Fund decreased by \$347,825 during the year ended September 30, 2023.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2022-23 fiscal year, the District did not amend their budget. Actual expenditures were \$989,624 more than budgeted expenditures.

CAPITAL ASSETS

The District has capital assets, consisting of a land, buildings, vehicles and equipment.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Flagler Estates Road and Water Control District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the, Flagler Estates Road and Water Control District, Hastings, Florida.

FLAGLER ESTATES ROAD AND WATER CONTROL DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	Governmental Activities
ASSETS	
Cash & Cash Equivalents	\$ 2,070,680
Investment in State Pool	124,424
Inventory	124,986
Fixed Assets, net of depreciation	3,933,891
Total Assets	\$ 6,253,981
LIABILITIES	
Accounts Payable and Accrued Wages	\$ 16,449
Compensated Absences	31,800
Notes Payable	59,194
	107,443
NET ASSETS	
Net Investment in Capital Assets	3,933,891
Receive for Inventory	124,986
Unrestricted	2,087,661
Total Net Position	6,146,538
TOTAL LIABILITIES AND NET POSITION	\$ 6,253,981

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

**FLAGLER ESTATES ROAD AND WATER CONTROL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue & Changes in Net Assets Governmental Activities
Functions/Programs			
Governmental Activities:			
Physical Environment	\$ 1,106,112	\$ 875,340	\$ (230,772)
Transportation	436,048	310,228	(125,820)
Depreciation Expense	814,246	-	(814,246)
Interest Expense - LT Debt	2,464	-	(2,464)
Total Government Activities	\$ 2,358,870	\$ 1,185,568	\$ (1,173,302)
General Revenues:			
Special Assessments			946,946
Miscellaneous			14,355
Interest Income			19,660
Total General Revenue			980,961
Change in Net Position			(192,341)
Net Position -October 1, 2022			6,338,879
Net Position - September 30, 2023			\$ 6,146,538

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

**FLAGLER ESTATES ROAD AND WATER CONTROL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023**

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash & Cash Equivalents	\$ 1,678,120	\$ 392,560	\$ 2,070,680
Investment in State Pool	124,424	-	124,424
Inventory	124,986	-	124,986
TOTAL ASSETS	\$ 1,927,530	\$ 392,560	\$ 2,320,090
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 16,449	\$ -	\$ 16,449
Total Liabilities	16,449	-	16,449
Fund Balances:			
Nonspendable:			
Inventory	124,986	-	124,986
Assigned for Capital Projects	-	392,560	392,560
Unassigned	1,786,095	-	1,786,095
Total Fund Balances	1,911,081	392,560	2,303,641
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,927,530	\$ 392,560	\$ 2,320,090

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

**FLAGLER ESTATES ROAD AND WATER CONTROL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023**

Total Fund Balances - Governmental Funds	\$ 2,303,641
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the governmental funds.	3,933,891
financial resources and, therefore, not reported in the governmental funds.	(31,800)
Long term debt used in governmental activities are not financial resources and, therefore, not reported in the governmental funds.	<u>(59,194)</u>
Total Net Position - Governmental Activities	<u><u>\$ 6,146,538</u></u>

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

**FLAGLER ESTATES ROAD AND WATER CONTROL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023**

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
Intergovernmental:			
Charges for Services	\$ 1,185,568	\$ -	\$ 1,185,568
Special Assessments	636,667	310,276	946,943
Miscellaneous	14,355	-	14,355
Interest Income	18,338	1,322	19,660
TOTAL REVENUES	1,854,928	311,598	2,166,526
EXPENDITURES			
Current:			
Physical Environment	1,106,112	-	1,106,112
Transportation	-	375,374	375,374
Capital Outlay	681,900	-	681,900
Debt Service:			
Principal	102,716	-	102,716
Interest	2,464	-	2,464
TOTAL EXPENDITURES	1,893,192	375,374	2,268,566
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(38,264)	(63,776)	(102,040)
OTHER FINANCING SOURCES			
Proceeds from Long-term Debt	-	-	-
TOTAL OTHER FINANCING SOURCES			
Fund Balances, October 1, 2022	1,949,345	456,336	2,405,681
FUND BALANCES, SEPTEMBER 30, 2023	\$ 1,911,081	\$ 392,560	\$ 2,303,641

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

**FLAGLER ESTATES ROAD AND WATER CONSERVATION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
& CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

Net Change in Fund Balance - Governmental Funds	\$	(102,040)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Payments on Notes Payable Payments on Long Term on Notes Payable are accounted for us an expense of current funds.</p>		102,766
<p>Capital assets purchased with governmental funds are accounted for as an expense of current funds.</p>		621,179
<p>Depreciation expense not recorded in governmental funds</p>		<u>(814,246)</u>
Change in Net Position - Governmental Activities	\$	<u><u>(192,341)</u></u>

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

**FLAGLER ESTATES ROAD AND WATER CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies as applicable to governmental units, which has been consistently, applied in the preparation of the financial statements of the various funds and account groups follows.

▪ Reporting Entity and Legal Authority

The District was created as a Water Control District, by court order in 1971. The District operates primarily under the Florida Statutes in chapter 298 and through several acts of the Florida Legislature, which have adjusted the boundaries and authorized the District to maintain the roads within Flagler Estates.

The District is an independent special district administered by a five member board of supervisors elected by the voters of St. Johns County. The District for financial reporting purposes includes all of the funds relevant to the operation of the District. There are not 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 no potential component units that it must include within its financial statements.

The District's purpose, under Florida Statutes, is to preserve, restore, and protect the availability of surface water resources for public health, welfare, and convenience. In addition to water control duties, the District is also empowered to maintain streets, roadways, and roads for necessity and convenience to provide access, and efficient development of areas made suitable and available for cultivation and settlement (urban and suburban), as well as other beneficial use and development as a result of drainage, irrigation, and reclamation operations of the district.

▪ Basis of Presentation

These financial statements are fund financial statements that have been prepared in conformity with the accounting principles and reporting guidelines established by the Governmental Accounting Standards Board (GASB) and accounting practices prescribed by the State of Florida, Office of the Auditor General.

**FLAGLER ESTATES ROAD AND WATER CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

As permitted by Chapter 10.556(4), Rules of the Auditor General State of Florida, the special-purpose financial statements consist of only the fund level financial statements as defined in GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments*.

The District reports the following major governmental fund:

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources, which are not properly accounted for in another fund.

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

▪ Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the fund financial statements and relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. The major modifications to the accrual basis are : (a) revenues are recorded in the accounting period in which they become available and measureable (available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, considered to be sixty days for revenue) and (b) expenditures are recorded in the accounting period in which the liability is incurred, if measureable, except for accumulated sick and vacation compensation, which are expensed when paid.

Fiduciary fund (agency fund) statements are prepared using economic resource measurement focus and the accrual basis of accounting. The District had no fiduciary funds at September 30, 2023.

▪ Measurement Focus

The accounting and financial reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus.

**FLAGLER ESTATES ROAD AND WATER CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

All governmental funds are accounted for on a spending or “financial flow” measurement focus. This means that generally, only current assets and current liabilities are included in the balance sheet. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Accordingly, they present a summary of sources and uses of “available spendable resources” during a period.

- **Cash and Cash Equivalents**

Cash and cash equivalents represent cash on hand as well as demand deposits, and certificates of deposit with original maturities of twelve months or less.

- **Inventory and Prepaid Items**

The purchase method is used to account for inventory and payments to vendors for costs applicable to future periods (prepaid). Under the purchase method, expenditures are recognized when the available financial resource is expended. Inventory is not deemed significant and therefore no amount has been reported.

- **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from these estimates.

- **Governmental Fund Balances**

Fund balances are classified either as nonspendable or spendable. Spendable fund balances are further classified in a hierarchy based on the extent to which there are external internal constraints on the spending of these fund balances. These classifications are described as follows:

Nonspendable fund balances included amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. There were no nonspendable fund balances at the Flagler Estates Road and Water Control District as of September 30, 2023.

FLAGLER ESTATES ROAD AND WATER CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

Spendable fund balances are classified based on a hierarchy of the Flagler Estates Road and Water Control District's' ability to control the spending of these fund balances.

Restricted fund balances are fund balance amounts that are constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations or imposed by law through constitutional provisions or enabling legislation. As of September 30, 2023, the Flagler Estates Road and Water Control District had no restricted fund balances.

Committed fund balances are fund balances constrained for specific purposes imposed by the Flagler Estates Road and Water Control District's formal action of highest level of decision making authority. As of September 30, 2023, the Flagler Estates Road and Water Control District had no committed fund balances.

Assigned fund balances are fund balances intended to be used for specific purposes, but which are neither restricted nor committed. As of September 30, 2023, the Flagler Estates Road and Water Control District had no assigned fund balances as indicated on the Balance Sheet.

Unassigned fund balances represent the residual positive fund balance within the general fund, which has not been assigned to other funds and has not been restricted, committed or assigned. In funds other than the general fund, unassigned fund balances are limited to negative residual fund balances. As of September 30, 2023, the Flagler Estates Road and Water Control District had only unassigned fund balances.

When expenditures are incurred for purposes for which restricted or unrestricted fund classifications could be used, it is the Flagler Estates Road and Water Control District's policy to use restricted funds first, then unrestricted.

Recently Issued and Implemented Accounting Pronouncements

In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations (GASB 91). The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

FLAGLER ESTATES ROAD AND WATER CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. The County adopted GASB 91 for the year ended September 30, 2023, and GASB 91 did not have a significant impact on the financial statements.

In March 2020, the GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements (GASB 94). The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The County adopted GASB 94 for the year ended September 30, 2023, and GASB 94 did not have a significant impact on the financial statements.

**FLAGLER ESTATES ROAD AND WATER CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

In May 2020, the GASB issued GASB Statement No. 96, Subscription-Based Information Technology Arrangements (GASB 96). This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement. The County adopted GASB 96 for the year ended September 30, 2023, and GASB 96 did not have a significant impact on the financial data.

In April 2022, GASB issued Statement No. 99, Omnibus 2022 (GASB 99). This Statement seeks to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.

FLAGLER ESTATES ROAD AND WATER CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

- Clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to the determination of the PPP term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, Subscription-Based Information Technology Arrangements, related to the SBITA term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the LIBOR is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments, as amended, related to the focus of the government-wide financial statements.
- Terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.
- Terminology used in Statement No. 53 to refer to resource flows statements.

The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, as amended, and terminology updates related to Statement No. 53 and Statement No. 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The County adopted the applicable provisions GASB 99 related to leases, PPPs, and SBITAs for the year ended September 30, 2023, and GASB

**FLAGLER ESTATES ROAD AND WATER CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

99 did not have a significant impact on the financial statements. The GASB has issued statements that will become effective in future years.

These statements are as follows:

In June 2022, GASB issued Statement No. 100, Accounting Changes and Error Corrections (GASB 100). GASB 100 prescribes accounting and financial reporting for (1) each category of accounting change and (2) error corrections. GASB 100 also addresses how accounting changes and error corrections should be displayed in financial statements, disclosed in notes, and presented in required supplementary information and supplementary information. The requirements of GASB 100 are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

In June 2022, GASB issued Statement No. 101, Compensated Absences (GASB 101). The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 102, Certain Risk Disclosures. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

The District is evaluating the requirements of the above statements and the impact on reporting.

**FLAGLER ESTATES ROAD AND WATER CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents at September 30, 2023 consisted of \$2,195,104 maintained in local checking accounts and certificates of deposits and the Florida State Board of Administration. These depositories qualifies as a "public depository", as required by law (Florida Security for Public Deposits Act Chapter 280, Florida Statutes). All the cash deposits of the Flagler Estates Road and Water Control District are classified as category one risk, which means they are insured or collateralized.

NOTE 3 – CHANGE IN CAPITAL ASSETS

Changes in capital assets are presented in the table below:

	BALANCE 10/1/2022	ADDITIONS	DELETIONS	BALANCE 9/30/2023
Capital assets not being depreciated:				
Land	\$ 82,144	\$ -	\$ -	\$ 82,144
Capital assets being depreciated:				
Infrastructure	12,916,325	610,669	-	13,526,994
Buildings	72,601	-	-	72,601
Equipment	1,757,399	-	-	1,757,399
Total capital assets being depreciated	14,746,325	610,669	-	15,356,994
Less accumulated depreciation for:				
Infrastructure	9,336,824	718,495	-	10,055,319
Buildings	69,837	1,569	-	71,406
Equipment	1,285,240	94,182	-	1,379,422
Total accumulated depreciation	10,691,901	814,246	-	11,506,147
Total capital assets being depreciated, net	4,054,424	(203,577)	-	3,850,847
Capital assets, net	\$ 4,137,468	\$ (203,577)	\$ -	\$ 3,933,891

Depreciation expense was allocated to the governmental functions in the statement of activit
Depreciation expense was \$814,246 for the year ended September 30, 2023.

NOTE 4 – DEPOSITS

At September 30, 2023, the District's carrying amount was \$2,195,104 and bank balance was \$2,195,104, consisting entirely of demand deposits. The entire amount of the demand deposits is deposited in a state of Florida qualified depository and, therefore, is fully collateralized.

FLAGLER ESTATES ROAD AND WATER CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 4 – DEPOSITS (continued)

Custodial Credit Risk is the risk that in the event of a bank failure the government's deposits may not be returned to it. The Authority's monies must be deposited in banks designated as qualified public depositories by the Chief Financial Officer, Florida Department of Financial Services. Therefore, the Authority's total deposits are insured by the Federal Depository Insurance Corporation and collateralized by the Bureau of Collateral Management, Division of Treasury, and Florida Department of Financial Services. The law requires the Chief Financial Officer to ensure that funds are entirely collateralized throughout the fiscal year. Other than the preceding, the Authority has no policy on custodial credit risk.

Collateral is provided for demand deposits through the Florida Security for Public Deposits Act. This law establishes guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements, and characteristics of eligible collateral. Under this law, the qualified public depository must pledge at least 25% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance.

Additional collateral, up to a maximum of 150%, may be required if deemed necessary under the conditions set forth in this law. Eligible collateral consists of obligations of the United States and its agencies and obligations of states and their local political subdivisions and unaffiliated corporations.

Obligations pledged to secure deposits must be delivered to the Department of Financial Services or, with the approval of the Chief Financial Officer, to a bank, savings association, or trust company provided a power of attorney is delivered to the Chief Financial Officer. On a monthly basis, the Chief Financial Officer determines that the collateral has a market value adequate to cover the deposits under the provisions of this law.

NOTE 5 – LONG-TERM LIABILITIES

Notes Payable

A note payable was issued on November 24, 2021 in amount of \$123,936 to finance the purchase of a new wheel loader. It is payable in annual installments of \$32,371 with a nominal annual rate of 3%, through December 2024. As of September 30, 2023, the principal outstanding on the note was \$59,194.

**FLAGLER ESTATES ROAD AND WATER CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 5 – LONG-TERM LIABILITIES (continued)

Estimated future debt maturities are as follows:

Years ending September 30,	Principal	Interest
2024	\$ 32,371	\$ 971
2025	26,823	805
Total	\$ 59,194	\$ 1,776

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

	Balance October 1, 2022	Additions	Deletions	Balance September 30, 2023	Due Within One Year
Notes Payable	\$ 161,960	\$ -	\$ 102,766	\$ 59,194	\$ 26,823
Compensated Absences	42,310	-	10,510	31,800	-
Total	\$ 204,270	\$ -	\$ 113,276	\$ 90,994	\$ 26,823

NOTE 6 – RETIREMENT PLAN

The District sponsors a 403(b) retirement plan. The District's contribution is discretionary. Eligible employees are those who are at least 21 years of age and there is no minimum service requirement. The District made contributions of \$25,125.

NOTE 7 - RISK MANAGEMENT

The Flagler Estates Road and Water Control District is exposed to various risk of loss related to torts; thefts of, damage to property of others. The Flagler Estates Road and Water Control District purchases insurance to protect itself against these risks.

NOTE 8 – SIGNIFICANT FUNDING SOURCE

During the fiscal year ended September 30, 2023, the District received a substantial amount of its funding from St. Johns County special assessments. Significant reductions in the level of this funding, if this were to occur, could have an adverse effect on the District's programs and activities.

NOTE 9 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION

No post employment benefits were provided by the District.

NOTE 10 – CONTINGENCIES

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies, principally the State of Florida. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed.

NOTE 11 – SUBSEQUENT EVENTS

The District has evaluated events and transactions for potential recognition or disclosure in the financial statements through October 22, 2024, the date which the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

**FLAGLER ESTATES ROAD AND WATER CONTROL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Intergovernmental:				
Charges for Services	\$ 46,875	\$ 46,875	\$ 1,185,518	\$ 185,354
Special Assessments	822,021	822,021	636,667	185,354
Interest Income	-	-	18,338	
Miscellaneous	3,600	3,600	14,335	(10,735)
TOTAL REVENUES	<u>872,496</u>	<u>872,496</u>	<u>1,854,858</u>	<u>359,973</u>
EXPENDITURES				
Current:				
Physical Environment	868,968	868,968	1,106,112	(237,144)
Transportation	-	-	-	-
Capital Outlay	34,500	34,500	681,900	(647,400)
Debt Service:				
Principal	-	-	102,646	(102,646)
Interest	-	-	2,464	(2,464)
TOTAL EXPENDITURES	<u>903,468</u>	<u>903,468</u>	<u>1,893,122</u>	<u>(989,654)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(30,972)</u>	<u>(30,972)</u>	<u>(38,264)</u>	<u>1,349,627</u>
OTHER FINANCING SOURCES				
Proceeds from Long-term Debt	-	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, October 1, 2022	<u>1,949,345</u>	<u>1,949,345</u>	<u>1,949,345</u>	<u>3,898,690</u>
FUND BALANCES, SEPTEMBER 30, 2023	<u>\$ 1,918,373</u>	<u>\$ 1,918,373</u>	<u>\$ 1,911,081</u>	<u>\$ 5,248,317</u>

See Independent Auditor's Report

JAMES E. DAVIS, CPA

1733 Old Plank Road
Crawfordville, FL 32327
Phone: (850) 445-5878

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

I have audited the financial statements of Flagler Estates Road and Water Control District, Florida (the District), as of and for the year ended September 30, 2023, and have issued my report thereon dated October 22, 2024. I conducted my 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.

Internal Control Over Financial Reporting

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

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying management letter, I identified certain deficiencies in internal control that I consider to be material weaknesses.

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 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

I consider Finding 2017-03 to be a material weakness.

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. During my audit I did not identify any deficiencies in internal control that I consider to be a significant deficiency. However, significant deficiencies may exist that have not been identified.

Compliance and Other Matters

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

I noted certain other matters that were reported to the District in a separate letter dated October 22, 2024.

District's Response to Findings

The District's responses to the findings identified in my audit are included in the accompanying management letter. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

James E. Davis
Certified Public Accountant

October 22, 2024

JAMES E. DAVIS, CPA

1733 Old Plank Road
Crawfordville, FL 32327
Phone: (850) 445-5878

INDEPENDENT ACCOUNTANT’S REPORT ON AN EXAMINATION CONDUCTED IN ACCORDANCE WITH AICPA PROFESSIONAL STANDARDS, SECTION 601, REGARDING COMPLIANCE REQUIREMENTS IN ACCORDANCE WITH CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

Flagler Estates Road and Water Control District
Hastings, Florida

I have examined the Flagler Estates Road and Water Control District’s (the District) compliance with the requirements of Section 218.415, Florida Statutes, Local Government Investment Policies, during the year ended September 30, 2023. Management is responsible for the District’s compliance with those requirements. My responsibility is to express an opinion on the District’s compliance based on my examination.

My examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and, accordingly, included examining, on a test basis, evidence about the District’s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my examination provides a reasonable basis for my opinion. My examination does not provide a legal determination on the District’s compliance with specified requirements.

In my opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2023.

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

James E. Davis
Certified Public Accountant

October 22, 2024

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INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Flagler Estates Road and Water Control District
Crestview, Florida

Report on the Financial Statements

I have audited the financial statements of Flagler Estates Road and Water Control District as of and for the fiscal year ended September 30, 2023 and have issued my report thereon dated October 22, 2024.

Auditor's Responsibility

I conducted my 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General.

Other Reports and Schedules

I have issued my Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated, October 22, 2024, should be considered in conjunction with this management letter.

Prior Audit Findings

2022-001 (Reported in previous audit reports as items 2021-001 and 2020-001)

Criteria – Adequate controls should be in place to allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements in a timely basis. Although the small size of the business office staff limits the extent of separation of duties, we believe certain steps could be taken to separate

incompatible duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

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

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

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

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

2022-002 (Reported in previous audit reports as items 2021-002 and 2020-002)

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

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

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

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

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

2022-003 (Reported in previous audit reports as item 2021-003)

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

Condition – The District over expended its General Fund by approximately \$989,724.

Cause – The District did not implement controls and monitoring at the fund level using modified accrual accounting principles.

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

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

2022-004

Criteria – The District is responsible for maintaining effective information technology controls over financial transactions and reporting.

Condition – The District does not require each user of Quickbooks to have their own unique login credentials. As such, the manager's login is shared by the part-time administrative assistant. In addition, the District does not restrict the ability of the users to modify their own transactions, including changing amounts and descriptions of recorded transactions.

Cause – The District did not implement controls and monitoring surrounding the information technology environment.

Effect – Misappropriation of assets and risk of misstatements of financial information is elevated.

Recommendation – The District should require a unique and secure account for each individual who accesses the accounting program. The ability to modify a transaction should require approval of a second party.

2022-005

Criteria – Adequate controls should be in place to allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements in a timely basis.

Condition – Certain cash payments were not recorded to the general ledger or deposited into the bank and the condition was not discovered until the audit identified two deposits for culvert installations totaling \$4,549 that were missed from the District's accounting records and bank deposits. Subsequent to these receipts being noted as missing during the audit, the District reported that they located the cash amount in the petty cash box.

Cause – Cash payments are taken without the use of a secure receipting system such as prenumbered or computer generated receipts. No reconciliations are performed between culvert work orders completed and culvert installation receipts recorded. The petty cash box was not reconciled for more than six months.

Effect – The completeness of Charges for Services revenues in the General Fund and governmental activities could not be determined due to the lack of a verifiable complete population of amounts received by the District. Two deposits were identified that were not appropriately recorded or deposited. There is a risk that intentional or unintentional errors including misappropriation of assets could be made and not detected.

Recommendation – All payments received from customers should be immediately entered into the accounting system and a receipt should be provided to the customer that is either from a prenumbered, secure book of receipts or computer generated by the accounting system. A notice should be posted in a highly visible area that all customers should expect to receive such a receipt upon payment. Work orders should be prenumbered and secured and copies of completed work orders should be maintained and reconciled to the receipts recorded. Petty cash should be reconciled monthly. All reconciliations should be performed or approved by someone not involved in the cash receipting process. The District should engage a forensic auditor to determine if assets were misappropriated.

The above Finding was still outstanding at September 30, 2023.

Current Year Audit Findings

2023-001

Criteria – Audit adjusting entries should be entered into the accounting system upon receipt in order to have proper balances in the accounting records and financial statements.

Condition – The audit adjusting entries for the prior year were not entered into the accounting records until after the end of the fiscal year.

Cause – It is important that all audit adjusting be entered into the accounting records.

Effect – This resulted in the financial records being misstated for the year ended September 30, 2023 until this audit report.

Recommendation – Upon receipt of the audit report, all audit adjusting entries shall be entered into the accounting records.

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. This information is contained in the footnotes on page 15.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that I report the results of my determination as to whether or not Flagler Estates Road and Water Control District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with my audit, I determined Flagler Estates Road and Water Control District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that I 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 my audit, I 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 Flagler Estates Road and Water Control District reported:

- a. The total number of district employees compensated in the last pay period of the District's fiscal year is 11.
- b. The total number of independent contracts to whom nonemployee compensation was paid in the last month of the District's fiscal year was not applicable.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency is \$488,578
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency was not applicable.
- f. 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 1st of the fiscal year being reported.
- g. 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. The District did not amend its budget during the year ended September 30, 2023.

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that I report the results of my determination as to whether the annual financial report for Flagler Estates Road and Water Control District for the fiscal year ended September 30, 2023, to be filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(1), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2023. In connection with my audit, I determined that these two reports were in agreement. This report is delinquent.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that I address in the management letter any recommendations to improve financial management. In connection with my audit, I did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that I address 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 my audit, I did not have any such findings.

Purpose of this Letter

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

James E. Davis
Certified Public Accountant

October 22, 2024

9850 Light Ave.
Hastings, FL 32145
(904) 692-1513 Office
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Flagler Estates Road & Water Control District

October 30, 2024

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

Dear Ms. Norman:

I write to you in response to the findings note in the audit of Flagler Estates Road & Water Control District, prepared by James E. Davis, CPA for the year ended September 30, 2023.

Finding 2023-001- Segregation of Incompatible Duties

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

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

Finding 2023-002- Preparation of Financial Statements

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

Findings 2023-003 – Budget

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

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

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

Sincerely,



Leo Venesky

Vice President, Board of Supervisors

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