

HILLSBOROUGH SOIL AND WATER CONSERVATION DISTRICT

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2024

FINAL DRAFT 12.26.24

HILLSBOROUGH SOIL AND WATER CONSERVATION DISTRICT

YEAR ENDED SEPTEMBER 30, 2024

TABLE OF CONTENTS

	Page
FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Fund	11
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	12
Notes to the Financial Statements	13
COMPLIANCE SECTION	
Independent Auditor's 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	18
Independent Auditor's Management Letter Pursuant to the Rules of the Auditor General for the State of Florida	20
Schedule of Findings	23

FINANCIAL SECTION

FINAL DRAFT - 12.26.24

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors and Management of the
Hillsborough Soil and Water Conservation District
Plant City, Florida

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Hillsborough Soil and Water Conservation District, Plant City, Florida (the "District") as of and for the year ended September 30, 2024, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District, as of September 30, 2024, 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.

The financial statements of the District as of September 30, 2023, and for the year then ended were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements in their report dated June 13, 2024.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hillsborough Soil and Water Conservation District, Plant City, Florida 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.

Emphasis of Matter

As discussed in Notes 4 and 6 to the financial statements, the District's conservation activities substantially depend on the funding from the Florida Department of Agriculture and Consumer Services (FDACS). On June 30, 2024, the main FDACS contract (27691) ended; and as of the date of our audit report, the District's management has indicated there are no new contracts or amendments to be signed in the short term. The district's management is currently searching for new revenue sources. Our opinions are not modified with respect to this matter.

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 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. See *Emphasis of Matter* paragraph in the previous page).

Auditor's 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 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 an audit in accordance with generally accepted 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 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 District's ability to continue as a going concern for a reasonable period of time. See Note 6 to the financial statements.

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 and budgetary comparison information 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.

HCT Certified Public Accountants & Consultants, LLC

Hollywood, Florida
December 9, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINAL DRAFT 4/26/24

**HILLSBOROUGH SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2024**

Introduction

The management of the Hillsborough Soil and Water Conservation District (the "District") would like to offer the readers of the District's financial statements this discussion and analysis of the District's financial activities for the fiscal year ended September 30, 2024. We encourage readers to consider the information presented in this discussion and analysis in conjunction with the District's Independent Auditors' Report, basic financial statements, and accompanying notes.

Financial Highlights

The District's assets exceeded its liabilities as of September 30, 2024, by \$19,160. This amount may be used to meet the government's ongoing operating obligations.

The total net position decreased \$22,249 for the fiscal year ended September 30, 2024. The District's total expenses for all activities amounted to \$369,151 for the year.

Overview of the Financial Statements

This discussion and analysis section is intended to serve as the introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, the increases or decreases in net assets may serve as an indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Fund Financial Statements

A fund is a grouping of related accounts that is used to record and 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. The District has one fund, the general fund, a governmental fund.

Governmental Funds – are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

The notes to the financial statements provide additional information that is essential to a full understanding of a government's financial position and they are required by accounting professional standards.

**HILLSBOROUGH SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2024**

Financial Analysis

Assets exceeded liabilities by \$19,160 at the close of September 30, 2024, fiscal year. The unrestricted net position may be used to meet the District's ongoing operations.

The following table highlights the net position as of September 30, 2024:

	<u>2024</u>	<u>2023</u>
Total Assets	<u>\$ 19,160</u>	<u>\$ 69,557</u>
Liabilities and Net Position		
Unearned revenue	\$ -	\$ 28,148
Net position - Unrestricted	<u>19,160</u>	<u>41,409</u>
Total Liabilities and Net Position	<u>\$ 19,160</u>	<u>\$ 69,557</u>

The District's assets at September 30, 2024 consist entirely of cash deposits held in financial institutions. The district does not have liabilities outstanding at September 30, 2024, as the FDACS advances previously recognized as unearned grant revenue are now fully recognized as revenue and this account shows now a zero balance. The District does not own capital assets.

The following table highlights the changes in net position for the year ended September 30, 2024:

	<u>2024</u>	<u>2023</u>
Revenues		
Intergovernmental Revenues	\$ 296,111	\$ 297,368
Conservation Activities	<u>73,040</u>	<u>167,561</u>
Total Revenues	<u>369,151</u>	<u>464,929</u>
Program Expenses		
General Government	296,111	297,368
Conservation	<u>73,040</u>	<u>174,385</u>
Total Expenses	<u>369,151</u>	<u>471,753</u>
Increase (decrease) in Net Position	-	(6,824)
Net Position - Beginning	41,409	48,233
Unearned Grant Revenues FY2023	(28,148)	-
Other Items	<u>5,899</u>	<u>-</u>
Net Position – Ending	<u>\$ 19,160</u>	<u>\$ 41,409</u>

**HILLSBOROUGH SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2024**

Financial Analysis - continued

Intergovernmental revenues consist of funds provided by Hillsborough County to cover the administrative costs for running the District's operations. The District did not receive any new intergovernmental revenue during the fiscal year 2024. See Note 4 to the financial statements.

The District has a single fund, the General Fund. The net position balance at September 30, 2024, is unrestricted and available for use in the District's operations at the discretion of the Board of Supervisors.

Requests for Information

This financial report is designed to provide our readers with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources received. If you have questions about this report or need additional financial information, contact the Board of Supervisors at Hillsborough Soil and Water Conservation District, 4503 Coronet Road, Plant City, Florida, 33566.

FINAL DRAFT -12.26.24

BASIC FINANCIAL STATEMENTS

FINAL DRAFT - 12.26.24

**HILLSBOROUGH SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION– GOVERNMENT-WIDE
AS OF SEPTEMBER 30, 2024**

ASSETS

Cash		\$ 19,160
		<u>19,160</u>
Total Assets		<u><u>\$ 19,160</u></u>

LIABILITIES AND NET POSITION

Unearned grant revenue		\$ <u>—</u>
Total Liabilities		<u>—</u>
Net Position		
Unrestricted		<u>19,160</u>
Total Liabilities & Net Position		<u><u>\$ 19,160</u></u>

FINAL DRAFT - 12.26.24

The accompanying notes are an integral part of the financial statements

**HILLSBOROUGH SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES – GOVERNMENT-WIDE
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	Governmental Activities
Primary Government:				
Government Activities:				
++				
General Government	\$ 296,111	\$ 296,111	\$ -	\$ -
Conservation Activities	73,040	3,478	69,562	-
Total Governmental Activities	369,151	299,589	69,562	-
Change in Net Position				-
Net Position - Beginning				41,409
Unearned Grant Revenue FY2023				(28,148)
Other items				5,899
Net Position - Ending				\$ 19,160

The accompanying notes are an integral part of the financial statements

**HILLSBOROUGH SOIL AND WATER CONSERVATION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
AS OF SEPTEMBER 30, 2024**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 19,160
Total Assets	\$ 19,960
 LIABILITIES AND FUND BALANCE	
Unearned grant revenue	\$ -
Total liabilities	-
Fund Balance	
Unassigned	19,160
Total Liabilities & Fund Balance	\$ 19,160

FINAL DRAFT - 12.26.24

The accompanying notes are an integral part of the financial statements

**HILLSBOROUGH SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
	Original & Final		
Revenues			
Intergovernmental	\$ 378,950	\$ 296,111	\$ (82,839)
Programs	50,000	73,040	23,040
Total revenues	<u>428,950</u>	<u>369,151</u>	<u>(59,799)</u>
Expenditures			
Current:			
General Government	378,950	296,111	82,839
Conservation	50,000	73,040	(23,040)
Total Expenditures	<u>428,950</u>	<u>369,151</u>	<u>59,799</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Fund Balance - Beginning		\$ 41,409	
Unearned Grant Revenue FY2023		(28,148)	
Other items		<u>5,899</u>	
Fund Balance - Ending		<u>\$ 19,160</u>	

The accompanying notes are an integral part of the financial statements

HILLSBOROUGH SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Hillsborough Soil and Water Conservation District (the "District") is an independent special district created on August 5, 1946. The District was organized in accordance with Florida Statutes, Chapter 582. The purpose of the District is to "promote and encourage wise use, management and general conservation of soil, water and related natural resources".

The District is governed by an elected board of five individuals from Hillsborough County. The operations of the District are carried out by employees of the Hillsborough County and the U.S. Department of Agriculture as outlined in the Memorandum of Understanding.

The District's financial statements were prepared in accordance with the Governmental Accounting Standards (GAS). Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

Government-Wide and Fund Financial Statements

The District is a special-purpose government entity engaged in one primary activity, soil and water conservation. The District accounts for all financial resources in one fund, the General Fund, which includes all government activities of the District, which are supported primarily by intergovernmental revenues. Accordingly, the Government-wide and Governmental Fund Financial Statements of the District are combined using a columnar format that reconciles individual line items of General Fund financial data to Government-wide data in separate columns on the face of the financial statements. The Government-wide financial statements consist of the Statement of Net Position and the Statements of Activities.

Fund financial statements are presented for the District's General Fund. This fund is considered a major fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 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 resource measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become 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 sixty days of the end of the current fiscal year. Expenditures are generally recorded when liability is incurred, as under accrual accounting.

HILLSBOROUGH SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

Assets, Liabilities, and Net Position

- 1) *Cash and Cash Equivalents* – The District's cash deposits are held by a commercial bank qualified as a public depository under Florida law. All deposits are insured by the Federal Deposit Insurance Corporation.
- 2) *Unearned grant revenues*– the balance of \$28,148 as of September 30, 2024, represents the final balance of FDACS advances made to the District during the length of the contract (see Note 6 to the financial statements).
- 3) *Fund Balances* – In accordance with generally accepted accounting standards, the District classifies governmental fund balances as follows:
 - *Unrestricted Fund Balance* – represents the residual classification of fund balance and includes all spendable amounts not contained within the other classifications of the General Fund.

Budgets and Budgetary Accounting

The District used the following procedures to establish the budgetary data which is reflected in the financial statements:

- 1) The budget for the District is adopted on a basis consistent with generally accepted accounting principles (GAAP).
- 2) For those portions of the District's budget that are funded by Hillsborough County General Revenue, the budget is approved by the Board of County Commissioners.
- 3) Any amendments to the County General Revenue budget contributions must be approved by the Board of County Commissioners.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH

The District's cash balance as of September 30, 2024, amounted to \$19,160, and it consisted of cash balances deposited at commercial checking accounts at the South State Bank.

NOTE 3 – OPERATIONAL SUPPORT

By the end of Fiscal Year 2023, at the Board of Supervisors' request, Hillsborough County offered a decommissioned fire station for the use of the District. The County began rehabbing it at no cost to the District and District's staff moved in on April 1, 2024, and the lease contract was signed. All expenses for operating this facility are provided within the BOCC-supported operating budget.

HILLSBOROUGH SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

The Hillsborough County record operating expenditures and personnel expenditures, through the Board of County Commissioner (BOCC), via an Interlocal Agreement. BOCC handles the financial transactions, and accounts for them in its accounting records. Operating expenditures include travel expenses, accounting services, general liability insurance, fleet management expenses, automobile liability insurance, awards programs, professional licenses, training, membership dues, milage, airfare, and others. Personnel expenses include employee benefits, salaries and wages, FICA/Medicare taxes, Florida Retirement system, short and long-term disability, Workers' Comp assessments.

NOTE 4 – CONSERVATION ACTIVITIES

The District's conservation activities substantially depend on funding from the Florida Department of Agriculture and Consumer Services (FDACS) through the Agricultural Water Quality and Quantity Best Management Practices and Projects Cost-Share Program (BMP).

The cost share reimbursement contract with the Florida Department of Agriculture and Consumer Services (FDACS) was categorized as conservation activities revenue. A 5% administrative fee is charged to each cost-share contract.

The FDACS grant agreement was amended to reduce \$100,000 from its originally established grant amount. The contract ended on June 30, 2024, and as of the date of this report, there are no other grants. As of September 30, 2024, the District recognized \$73,040 as revenues from FDACS.

The District records expenses related to the FDACS grants which are booked upon receipt of the Reimbursement Form and invoices from the farmers. The reimbursement includes the contracted cost share amount and administrative fees.

NOTE 5 – INTERGOVERNMENTAL REVENUES AND EXPENDITURES

Employees of the District are paid by the Hillsborough County, Florida through the Board of County Commissioners (BOCC). Additional operating costs are also covered by the BOCC. Such costs consist of salaries, wages, benefits, and other operating expenses incurred during the fiscal year.

Total expenditures provided for the fiscal year ending September 30, 2024, amounted to \$296,111. The District recognizes as revenues the amount of expenditure provided for the BOCC as intergovernmental revenues in the statement of revenues, expenditures, and changes in fund balance and as general government in the government-wide financial statements.

NOTE 6 – CONTINGENCIES

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies, principally the State of Florida Department of Agriculture and Consumer Services. Any disallowed claims, including amounts already collected, may constitute liability for the applicable funds.

In March 2024, the FDACS contract was amended and resulted in a \$100,000 reduction from the original grant amount. The effects of this reduction in the budgeted funding affected the District through the fiscal year ending September 30, 2024.

**HILLSBOROUGH SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

Contract 27691 (CSFA 42.017) with the FDACS ended on June 30, 2024, and as of the date of the audit report, the District management has indicated there are no new contracts or amendments to be signed off in the short term. District management is currently in the process of searching for new forms of revenue sources.

NOTE 7- SUBSEQUENT EVENTS

The District's management has evaluated subsequent events through December 9, 2024, the date which the financial statements were available to be issued. No events were noted that may require recording or disclosure in the District's Financial Statements as of September 30, 2024.

FINAL DRAFT -12.26.24

COMPLIANCE SECTION

FINAL DRAFT - 9.26.24

**INDEPENDENT AUDITOR'S 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**

To the Board of Supervisors and Management of the
Hillsborough Soil and Water Conservation District
Plant City, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Hillsborough Soil and Water Conservation District (the "District") as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 9, 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 District's internal control.

Our 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 schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency number **2021-01** described in the accompanying Schedule of Findings 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.

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.

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.

HCT Certified Public Accountants & Consultants, LLC

Hollywood, Florida

December 9, 2024

FINAL DRAFT - 12.26.2024

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

To the Board of Supervisors and Management of the
Hillsborough Soil and Water Conservation District
Plant City, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of Hillsborough Soil and Water Conservation District, Hillsborough County, Florida (the "District") as of and for the fiscal year ended September 30, 2024, and have issued our report thereon dated December 9, 2024.

Auditor's Responsibility

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

Other Reporting Requirements

We have also issued our 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 and Independent Accountants' Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated September 30, 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 annual financial audit report. There were no new audit findings to disclose for the current fiscal year nor in the preceding year.

The prior audit finding **No. 2021-01 (2020-21 FY)** has been partially implemented and it has been carried over to the current fiscal year and it is reported in the Schedule of Findings on page 23.

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 legal authority is disclosed in the notes to the financial statements.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, the results of our tests did not indicate that the District met 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 the 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, require that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided 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 determined that all special district component units provided the necessary information for proper reporting in accordance with Section 219.39(3)(b), Florida Statutes.

Specific Information

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

- a) Total number of District employees compensated in the last pay period of fiscal year was 4.
- b) Total number of independent contractors to whom non-employee compensation was paid in the last month of the District's fiscal year was 0.
- c) All compensation earned or awarded to employees, whether paid or accrued, regardless of contingency was \$260,288.
- d) All compensation earned or awarded to non-employee independent contractors, whether paid or accrued, regardless of contingency was \$0.
- e) The District has no construction projects with a total cost of at least \$65,000 approved and 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. See page 12 in the financial statements section of this report.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to 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 warrants the attention of those charged with governance. We have communicated such matters to the Board of Supervisors, and they are included in the accompanying schedule of 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, Federal and other granting agencies, as applicable, management, and the Board of Supervisors of the District, and is not intended to be and should not be used by anyone other than these specified parties.

HCT Certified Public Accountants & Consultants, LLC

Hollywood, Florida
December 9, 2024

FINAL DRAFT - 12.26.24

**HILLSBOROUGH SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED SEPTEMBER 30, 2024**

2021-01 - Internal Control over Financial Reporting

Material Weakness

Criteria - An entity's system of internal control over financial reporting should include controls over the prevention, detection and correction of misstatements in the audited financial statements.

Condition – The District relies on the external auditor to assist with preparing and explaining financial statements in conformity with generally accepted accounting principles (GAAP).

Effect – Since the auditor cannot be a part of an entity's system of internal accounting control, the District's system of internal accounting control over the financial reporting is not sufficient, by itself, to prevent, detect or correct misstatements in the audited financial statements.

Cause – The District is limited by the overall small size of the entity. It is not cost effective to develop and maintain a system of internal accounting control sufficient by itself to allow the preparation of financial statements in accordance with GAAP, nor to maintain internal staff with sufficient knowledge to develop and maintain controls to prevent, detect or correct misstatements in audited financial statements.

Recommendation – The Board is active in monitoring the financial position of the District. The Board should continue to actively monitor the activities of the District to maintain a system of proper checks and balances.

Note: As a small entity with limited funding, the above findings will be recurring, given the size of the District and limited personnel. The Board is actively involved in the review and management of the District's financials.

Current year status: Partially implemented.

Views of responsible officials and planned corrective actions:

1. For the purpose of ensuring proper financial controls over that portion of the District's budget that is provided by Hillsborough County, the District's Executive Director is recognized as the delegated Fiscal Agent within the County's internal controls processes and works in close concert with the County's Management and Budget System, accounting for ~75% of the District's budget and cashflows for FY 2023-2024. (Brenda Wright, who provided the independent verification of our FY 2024 actual expenditures is the County's delegated Budget Analyst for the purpose of providing that Financial Control for this District).
2. Otherwise, The District worked with a designated Certified Contract Manager within the Florida Department of Agriculture and Consumer Services to ensure proper tracking of transactions on a monthly basis, associated with the FDACS Cost-Share Contract, constituting ~25% of the District's spending authority for FY 2023-2024. (Misty Friend, who provided HCT with independent verification of our contract allocations is that CCM).

3. Beginning in January FY 2024, the newly appointed Executive Director ensured that all accounts were reconciled on a MONTHLY basis.

2022-01 - Reconciliation of Bank Accounts

Significant Deficiency

Criteria - An entity's system of internal control over financial reporting should include periodic reconciliations of bank accounts.

Condition - The District maintains four bank accounts for specified purposes. Formal reconciliations are not performed by management to proper account for all checks issued and outstanding at the end of the accounting period (monthly, quarterly, annually, etc.). During our testing of transactions, we noted there are 30 outstanding checks totaling \$275.00 issued from the Hillsborough 100 account in the prior fiscal year ending September 30, 2021. These checks did not appear to clear the bank statement during the fiscal year 2022.

Further, the check sequences on Hillsborough 100 appeared to originate from three separate check books or registers. Checks were issued with prefixes in the 1000, 1100-1200, and 9000 ranges. Each of these checks also had three separate bank names – the current banking institution of SouthState Bank as well as the former institutions which it since acquired- Valrico State Bank, and CenterState Bank.

Effect – By not capturing outstanding checks in-transit, the District could overstate its cash balances in the Annual Report. Multiple checkbooks could lead to misappropriation of assets or theft if proper physical security is not maintained.

Recommendation - Management should ensure that all checkbooks and registers are properly accounted for and consider destroying checks with the former bank names so that only one set of checks is in use for each account to ensure proper custody. In addition, management should prepare a formal reconciliation of each bank account periodically (monthly, quarterly, or annually) to ensure a proper accounting of all transactions and proper cutoff of in-transit items.

Management's Response:

Management will ensure that all checkbooks in use are accounted for and destroy old checkbooks issued under the former bank name(s). A single checkbook will be used for future disbursements or disbursements will be made via electronic funds transfer when possible. Management will reconcile bank statements monthly within 10 business days of statement issuance.

Current year status: Implemented.

2022-02 - Compliance with FDACS Contract Reporting

Significant Deficiency

Criteria – The District is required to comply with the terms of the FDACS Contract or risk being subject to penalties or termination.

Condition –

- i) Per the terms of the FDACS Contract 27691, the District is required to submit the

reporting package for reimbursement within two weeks of the initial disbursement to producers. During our testing, we noted that 9 out of ten were marked as received by FDACS outside of the two- week reporting period.

- ii) Further, under the terms of the FDACS Contract, Scope of Work Section IV.b., cost-share funds are to be distributed to producers by ACH electronic funds transfer (section IV.b. in Contract 27691 - Scope of Work). The District continues to distribute funds via manual check. Per review of the minutes of the Board of Supervisors, the FDACS has recommended that disbursements should be made via ACH electronic funds transfer.
- iii) Per Section IV.g-h,j, the District is required to maintain a year-to-date accounting spreadsheet of Cost-Share BMP Agreements by participant/producer and provide a copy with each payment package. Appropriate physical backup files of all invoices, receipts, payments, and forms should also be maintained by the District. During our testing of documentation, the District was unable to provide physical copies of all the required documentation; however, they were able to obtain the submitted documentation from FDACS as evidence of the transactions incurred during the fiscal year.

Effect –

Subsequent to the fiscal year ending September 30, 2022, in February of 2023 the District received notice of non-compliance with the terms of the FDACS Contract #27691 occurring in the fiscal year ending September 30, 2023, and faces possible monetary fines or termination of the contract if left uncorrected. The District was subjected to \$13,000 in penalties which reduced the amount of reimbursement received relating to program expenditures incurred.

Management's Response:

Management and the Board of Supervisors are working with the FDACS to correct the instances of non-compliance. The District has hired a new Executive Director in December 2023 to oversee the implementation of corrective action to bring the District in compliance with the contract terms. Management has implemented a system for electronic disbursements in the first quarter of 2024.

Current year status: Implemented.