

SAN CARLOS ESTATES WATER CONTROL DISTRICT
BASIC FINANCIAL STATEMENTS
TOGETHER WITH ADDITIONAL REPORTS
YEAR ENDED
September 30, 2021

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Florida Institute of Certified Public Accountants

American Institute of Certified Public Accountants

Private Companies Practice Section

Tax Division

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
San Carlos Estates Water Control District
P.O. Box 367807
Bonita Springs, Florida 34136

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of San Carlos Estates Water Control District (the "District"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the District as of September 30, 2020, and for the year then ended were audited by other auditors, whose report dated May 18, 2021 expressed an unmodified opinion on those financial statements. 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 the Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of San Carlos Estates Water Control

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District as of September 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

During the year ended September 30, 2021, the District determined the outstanding capital assessment receivable - Phases I and II and the related notes payable - Phases I and II were more properly recorded on the government-wide financial statements and not the general fund financial statements due to the long term nature of these receivables and payables. As a result, the District reported a restatement of the September 30, 2020 fund balance of \$(2,026,691) as a correction of an error (see note I). The auditor's opinion was not modified with respect to this restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis ("MD&A") on pages i-v be presented to supplement the basic financial statements. Such information, although not 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 - management discussion and analysis ("MD&A") 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 required supplementary information - management discussion and analysis ("MD&A") because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the San Carlos Estates Water Control District's basic financial statements. The required supplementary information other than the MD&A - budgetary comparison information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The required supplementary information other than the MD&A - budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the required supplementary information other than MD&A - budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Exhibit 1 - Management's Response to Independent Auditor's Report to Management and Exhibit 2 - Florida Rules of the Auditor General - Rule 10.554(1)(i)6-8 Compliance are not a required part of the basic financial statements but is required by Government Auditing Standards and/or Rules of the Auditor General, Section 10.554(i), respectively. Such information has not been

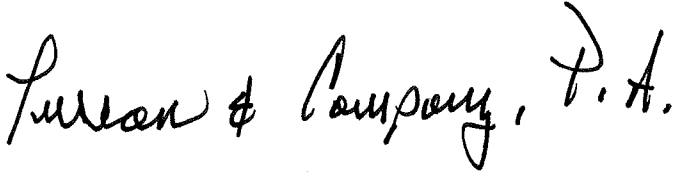
subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Section 218.415, Florida Statutes

In accordance with Section 218.415, Florida Statutes, we have also issued a report dated April 20, 2022 on our consideration of San Carlos Estates Water Control District's compliance with provisions of Section 218.415, Florida Statutes. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and to provide an opinion on compliance with the aforementioned Statute. That report is an integral part of an audit performed in accordance with Sections 218.39 and 218.415, Florida Statutes in considering San Carlos Estates Water Control District's compliance with Section 218.415, Florida Statutes.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 20, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.



TUSCAN & COMPANY, P.A.
Fort Myers, Florida
April 20, 2022

**MANAGEMENT'S DISCUSSION
AND ANALYSIS
(MD&A)**

San Carlos Estates Water Control District

Management's Discussion and Analysis

This discussion and analysis of the San Carlos Estates Water Control District (the "District") financial statements is designed to introduce the basic financial statements and provide an analytical overview of the District's financial activities for the fiscal year ended September 30, 2021. The basic financial statements are comprised of the government-wide financial statements, governmental fund financial statements and footnotes. We hope this will assist readers in identifying and understanding significant changes in the District's financial position.

District Highlights

At the close of fiscal year 2021:

- The District's assets exceeded its liabilities, resulting in net position (net assets) of \$12,873,193. The District's total net position decreased \$296,431, or 2 percent, in comparison to the prior year.
- The District had \$2,270,407 of unrestricted net position (net assets) that can be used to meet the District's ongoing obligations.
- Total revenues increased \$27,608, or 6 percent, in comparison to the prior year. This was substantially due to an increase in use and connection fees of \$68,488. Per acre maintenance tax remained unchanged at \$321 per acre. Total expenses decreased \$227,411, or 22 percent, in comparison to the prior year, most significantly due to an increase in general government expenses in the year ended September 30, 2021.

At the close of fiscal year 2020:

- The District's assets exceeded its liabilities, resulting in net position (net assets) of \$13,169,624. The District's total net position decreased \$48,234, less than 1 percent, in comparison to the prior year.
- The District had \$3,239,908 of unrestricted net position (net assets) that can be used to meet the District's ongoing obligations.
- Total revenues decreased \$39,528, or 7 percent, in comparison to the prior year. This was substantially due to a decrease in general revenues.
- Total expenses decreased \$25,566, or 4 percent, in comparison to the prior year, most significantly due to a decrease in general operating expenses – field operations, in the year ended September 30, 2020.

Government-wide Financial Statements

Government-wide financial statements (Statement of Net Position and Statement of Activities found on pages 4 and 5) are intended to allow a reader to assess a government's operational accountability. Operational accountability is defined as the extent to which the government has met its operating objectives efficiently and effectively, using all resources available for that purpose, and whether it can continue to meet its objectives for the foreseeable future. Government-wide financial statements concentrate on the District as a whole and do not emphasize fund types.

The Statement of Net Position (Page 4) presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. The District's capital assets (property, plant and equipment) are included in this statement and reported net of their accumulated depreciation.

The Statement of Activities (Page 5) presents revenue and expense information showing how the District's net position changed during the fiscal year. Both statements are measured and reported using the economic resource measurement focus (revenues and expenses) and the accrual basis of accounting (revenue recognized when earned and expense recognized when a liability is incurred).

Governmental Fund Financial Statement

The accounts of the District are organized on the basis of governmental funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District only utilizes one fund, a general fund.

Governmental fund financial statements (found on pages 6 and 8) are prepared on the modified accrual basis using the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available as net current assets.

Notes to the Financial Statements

The notes to the financial statements explain in detail some of the data contained in the preceding statements and begin on page 10. These notes are essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

The government-wide financial statements were designed so that the user could determine if the District is in a better or worse financial condition from the prior year.

The following is a condensed summary of net position for the primary government at September 30:

Assets:	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 1,382,457	\$ 1,686,764
Non-current assets	<u>12,850,662</u>	<u>13,554,825</u>
Total Assets	<u>14,233,119</u>	<u>15,241,589</u>
Liabilities:		
Current liabilities	435,158	472,862
Non-current liabilities	<u>924,768</u>	<u>1,599,103</u>
Total Liabilities	<u>1,359,926</u>	<u>2,071,965</u>
Net Position:		
Net Investment in capital assets	10,601,872	9,929,031
Restricted	914	685
Unrestricted	<u>2,270,407</u>	<u>3,239,908</u>
Total net position	<u>\$12,873,193</u>	<u>\$13,169,624</u>

For the year ended September 30, 2021, current and other assets represent 10 percent of total assets. Current assets are comprised of cash of \$148,157, investments of \$830,288, due from other governments of \$1,824, current portion of capital assessments of \$399,254 and prepaid expenses of \$2,934. There was restricted cash of \$914. The balances of unrestricted cash represent amounts that were available for spending at the District's discretion.

The net investment in capital assets at September 30, 2021 represent 82 percent of net position and are comprised of land, swales and infrastructure, net of accumulated depreciation, and the outstanding related debt used to acquire the assets. There was \$1,324,022 and \$2,026,691 outstanding debt related to capital assets at September 30, 2021 or 2020, respectively.

For the year ended September 30, 2020, current and other assets represent 11 percent of total assets. Current assets are comprised of cash of \$40,407 and investments of \$1,209,364, accrued interest receivable of \$4,090, due from other governments of \$2,552, current portion of capital assessments of \$427,588 and prepaid expenses of \$2,763. There was restricted cash of \$685. The balances of unrestricted cash represent amounts that were available for spending at the District's discretion.

The net investment in capital assets at September 30, 2020 represent 75 percent of net position and are comprised of land, swales and infrastructure, net of

accumulated depreciation, and the outstanding related debt used to acquire the assets. There was \$2,026,691 and \$2,555,791 outstanding debt related to capital assets at September 30, 2020 or 2019, respectively.

The following schedule reports the revenues, expenses, and changes in net position for the District at September 30:

Summary of Revenues, Expenses and Changes in Net Position
Years Ended September 30

Revenues:	<u>2021</u>	<u>2020</u>
Program Revenue		
Use and connection fees	\$ 77,688	\$ 9,200
General Revenue		
Maintenance taxes	335,994	336,348
Assessments	80,160	113,528
Interest income	1,849	11,587
Miscellaneous	<u>26,474</u>	<u>23,894</u>
Total Revenues	<u>522,165</u>	<u>494,557</u>
 Expenses:		
General Government	399,235	303,269
Water Control	<u>419,361</u>	<u>239,522</u>
Total Expenses	<u>818,596</u>	<u>542,791</u>
 Increase (decrease) in net position	(296,431)	(48,234)
 Net Position - Beginning of the Year	<u>13,169,624</u>	<u>13,217,858</u>
 Net Position - End of the Year	<u>\$ 12,873,193</u>	<u>\$ 13,169,624</u>

During the years ended September 30, 2021 and 2020, the District purchased no capital assets.

Debt Administration

At September 30, 2021 and 2020, the District has note payable balances of \$1,324,022 and \$2,026,691 after principal payments of \$702,669 and \$529,100, respectively.

During the years ended September 30, 2021 and 2020, the District did not record an accrued compensated absence payable for vacation time earned but not paid, as the amounts were \$0 or considered immaterial.

Economic Factors and Next Year's Budget Rates

The following were factors considered when next year's budget (2021-2022) was prepared:

- Maintenance assessments were set at \$321 and \$456 per acre for fiscal years ended September 30, 2021 and 2022, respectively. The Tax Rates for fiscal years 2020, 2019 and 2018 were \$321 per acre.
- The Phase II note payable was fully paid for fiscal year ended September 30, 2021 and the assessment for this note was discontinued for fiscal year ended September 30, 2022.
- No significant changes in administration or operating costs are projected.
- Principal and interest payments of \$453,584 are projected for fiscal year ending September 30, 2022.

Request for information

This financial report is designed to provide the reader an overview of the District. Questions regarding any information provided in this report should be directed to:

Chris Lawson
P.O. Box 367807
Bonita Springs, FL 34135
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SAN CARLOS ESTATES WATER CONTROL DISTRICT
STATEMENT OF NET POSITION
September 30, 2021

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 148,157
Investments	830,288
Due from other governments	1,824
Capital assessments receivable Phase I	399,254
Capital assessments receivable Phase II	-
Prepaid insurance	<u>2,934</u>
Total current assets	<u>1,382,457</u>
Non-current assets:	
Capital assets:	
Non-depreciable land and swales	10,930,320
Depreciable buildings, equipment and machinery (net of \$367,751 accumulated depreciation)	<u>995,574</u>
Total capital assets	11,925,894
Capital assessments receivable Phase I, net of current portion	<u>924,768</u>
Total non-current assets	<u>12,850,662</u>
TOTAL ASSETS	<u>14,233,119</u>
LIABILITIES	
Current liabilities:	
Accounts payable	27,185
Accrued interest	8,719
Note payable - current portion	<u>399,254</u>
Total current liabilities	435,158
Non-current liabilities:	
Note payable, net of current portion	<u>924,768</u>
TOTAL LIABILITIES	<u>1,359,926</u>
NET POSITION	
Net investment in capital assets	10,601,872
Restricted for debt service	914
Unrestricted	<u>2,270,407</u>
TOTAL NET POSITION	<u>\$ 12,873,193</u>

The accompanying notes are an integral part of this statement.

SAN CARLOS ESTATES WATER CONTROL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended September 30, 2021

	<u>Total Governmental Activities</u>
EXPENSES	
Governmental Activities	
General Government	
Administration	
Personnel services	\$ 70,268
Operating expenses	<u>328,967</u>
Total General Government	<u>399,235</u>
Water Control	
Operating expenses	309,079
Depreciation	29,828
Interest and fiscal charges	<u>80,454</u>
Total Water Control	<u>419,361</u>
Total Governmental Activities	<u>818,596</u>
 PROGRAM REVENUES	
Use and connection fees	<u>(77,688)</u>
NET PROGRAM EXPENSES	740,908
 GENERAL REVENUES	
Maintenance taxes	335,994
Phase I assessments	80,160
Interest income	1,849
Miscellaneous income	<u>26,474</u>
TOTAL GENERAL REVENUES	<u>444,477</u>
 INCREASE (DECREASE) IN NET POSITION	 (296,431)
 NET POSITION - Beginning of the year	 <u>13,169,624</u>
 NET POSITION - End of the year	 <u>\$ 12,873,193</u>

The accompanying notes are an integral part of this statement.

**SAN CARLOS ESTATES WATER CONTROL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
September 30, 2021**

	General Fund	Total Governmental Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 148,157	\$ 148,157
Investments	830,288	830,288
Due from other governments	1,824	1,824
Prepaid insurance	<u>2,934</u>	<u>2,934</u>
TOTAL ASSETS	<u>\$ 983,203</u>	<u>\$ 983,203</u>
 LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	\$ 27,185	\$ 27,185
Accrued expenses	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>27,185</u>	<u>27,185</u>
 FUND BALANCE		
Nonspendable	2,934	2,934
Restricted for debt service	914	914
Unassigned	<u>952,170</u>	<u>952,170</u>
TOTAL FUND BALANCE	<u>956,018</u>	<u>956,018</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 983,203</u>	<u>\$ 983,203</u>

The accompanying notes are an integral part of this statement.

**SAN CARLOS ESTATES WATER CONTROL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUND TO THE STATEMENT OF NET POSITION
September 30, 2021**

	<u>Amount</u>
Total fund balance for governmental fund	\$ 956,018
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund</p>	
Capital assets not being depreciated:	
Land and swales	<u>10,930,320</u>
	<u>10,930,320</u>
Capital assets being depreciated:	
Building, equipment and machinery	1,363,325
Less accumulated depreciation	<u>(367,751)</u>
	<u>995,574</u>
<p>Long-term receivables are not receivable in the current period and, therefore, are not reported in the governmental fund:</p>	
Capital assessment	<u>1,324,022</u>
	<u>1,324,022</u>
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund:</p>	
Accrued interest	(8,719)
Note payable - Phase I	<u>(1,324,022)</u>
	<u>(1,332,741)</u>
Total net position of governmental activities	<u>\$ 12,873,193</u>

The accompanying notes are an integral part of this statement.

**SAN CARLOS ESTATES WATER CONTROL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
Year Ended September 30, 2021**

	General Fund	Total Governmental Funds
	<u> </u>	<u> </u>
REVENUES		
Maintenance taxes	\$ 335,994	\$ 335,994
Phase I assessment	547,500	547,500
Phase II assessment	72,669	72,669
Use and connection fees	77,688	77,688
Interest income	5,939	5,939
Miscellaneous income	<u>26,474</u>	<u>26,474</u>
TOTAL REVENUES	<u>1,066,264</u>	<u>1,066,264</u>
EXPENDITURES		
Current		
General government		
Administration		
Personnel services	70,268	70,268
Operating expenditures	<u>166,307</u>	<u>166,307</u>
	236,575	236,575
Physical environment		
Field operations		
Operating expenditures	<u>309,079</u>	<u>309,079</u>
	309,079	309,079
Capital outlay	<u>-</u>	<u>-</u>
Debt service		
Principal reduction	702,669	702,669
Interest and fiscal charges	<u>86,843</u>	<u>86,843</u>
TOTAL EXPENDITURES	<u>1,335,166</u>	<u>1,335,166</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(268,902)	(268,902)
OTHER FINANCING SOURCES		
Proceeds from issuance of note payable	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(268,902)	(268,902)
FUND BALANCE - BEGINNING, AS RESTATED	<u>1,224,920</u>	<u>1,224,920</u>
FUND BALANCE - ENDING	<u>\$ 956,018</u>	<u>\$ 956,018</u>

The accompanying notes are an integral part of this statement.

**SAN CARLOS ESTATES WATER CONTROL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND TO THE STATEMENT
OF ACTIVITIES**

Year Ended September 30, 2021

	<u>Amount</u>
Net change in fund balance (excess of revenues and other sources over (under) expenditures) - total governmental fund	\$ (268,902)
The increase (decrease) in net position reported for governmental activities in the Statement of Activities is different because:	
Decrease in accrued interest receivable	(4,090)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Expenditures for capital assets	-
Less: current year depreciation	<u>(29,828)</u>
	<u>(33,918)</u>
Governmental funds report capital assessments as revenues when received. However, in the Statement of Activities capital assessment collections are used to reduce the capital assessment receivable balance.	
Adjustment to Phase I assessment revenue	(467,340)
Adjustment to Phase II assessment revenue	<u>(235,329)</u>
	<u>(702,669)</u>
The issuance of debt is reported as a financing source in governmental funds and this contributes to the change in fund balance. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not effect the Statement of Activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Position.	
Repayments (principal retirement):	
Plus: note payable	<u>702,669</u>
	<u>702,669</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Decrease in accrued interest payable	<u>6,389</u>
	<u>6,389</u>
Increase (decrease) in net position of governmental activities	<u>\$ (296,431)</u>

The accompanying notes are an integral part of this statement.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

San Carlos Estates Water Control District (the "District") is an independent special district created on April 3, 1969, by Circuit Court Order No. 69-105, under the provisions of Florida Statutes, Chapter 298, for the purpose of having the District's lands reclaimed and protected from the effects of water for sanitary and agricultural purposes and to be rendered conducive to the public health, convenience and welfare, and of public utility or benefit by drainage or otherwise.

The District is comprised of approximately 1,089 acres located in southern Lee County, Florida and is responsible for drainage and/or water control and the quality of water flowing through the canals and swales of San Carlos Estates. The District's local governing authority is the City of Bonita Springs. The District is also required to maintain all roads in the District besides Imperial River Road.

The District is governed by an elected three (3) member Board of Supervisors serving staggered three (3) year terms. Board members are elected by landowners on a one acre/one vote basis but not less than one vote per landowner.

The District's maintenance costs and other expenditures are paid from the General Fund through the collection of non-ad valorem assessments (maintenance taxes). The District also services its special assessment debt via the general fund.

Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used in the preparation of these basic financial statements.

The basic financial statements of the District are comprised of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

Reporting Entity

The District adheres to Governmental Accounting Standards Board (GASB) Statement Number 14, "Financial Reporting Entity", as amended by GASB Statement Number 39 "Determining Whether Certain Organizations Are Component

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Reporting Entity, continued

Units" and GASB Statement Number 61, "the Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34". These Statements require the basic financial statements of the District (the primary government) to include its component units, if any. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. Based on the criteria established in GASB Statement Number 14, as amended, there are no components required to be included. Therefore, there are no component units included and/or required to be included in the District's basic financial statements.

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the District and do not emphasize fund types. These governmental activities comprise the primary government. General governmental revenues support the governmental activities. The purpose of the government-wide financial statements is to allow the user to be able to determine if the District is in a better or worse financial position than the prior year.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement 33, "Accounting and Financial Reporting for Nonexchange Transactions" (GASB 33).

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability in the government-wide financial statements, rather than as expenditures.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Government-wide Financial Statements, continued

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital improvements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Program revenues are considered to be revenues generated by services performed and/or by fees charged such as use and connection fees, allowing drainage into the District systems.

Fund Financial Statements

The District adheres to GASB Number 54, "Fund Balance Reporting and Governmental Fund Type Definitions". As such, it is the District's intent to hold unassigned fund balance in an amount ranging between three (3) months to six (6) months operating expenditures. Nonspendable fund balance represents amounts not considered liquid, such as prepaid amounts and special assessments receivable to be collected over 20 years.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the District's governmental funds are presented after the government-wide financial statements. The governmental fund financial statements display information about its only major fund.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Governmental Funds

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

The District's major funds are presented in separate columns on the governmental fund financial statements. The definition of a major fund is one that meets certain criteria set forth in GASB Statement Number 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" (GASB 34). The funds that do not meet the criteria of a major fund are considered non-major funds and are combined into a single column on the governmental fund financial statements.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus and Basis of Accounting

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. General maintenance taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Measurement Focus and Basis of Accounting, continued

Revenues susceptible to accrual are maintenance assessments, interest on investments, and intergovernmental revenues. General maintenance assessments are recorded as revenues in the fiscal year in which they are levied, provided they are collected in the current period or within sixty (60) days thereafter. Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific purposes or projects are recognized when all eligibility requirements are met.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) principal and interest on long-term debt, if any, is recognized when due; and (2) expenditures are generally not divided between years by the recording of prepaid expenditures.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds.

Non-current Government Assets/Liabilities

GASB 34 requires non-current governmental assets, such as land and buildings, and non-current governmental liabilities, such as notes and line of credit payable, to be reported in the governmental activities column in the government-wide Statement of Net Position.

Major Funds - Governmental

The District reports the following major governmental fund:

The General Fund is the District's primary operating fund and its only fund. It accounts for all financial resources of the District.

Budgetary Information

The District has elected to report budgetary comparison of major funds as required supplementary information (RSI).

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Capital Assets

Capital assets, which include land, buildings, equipment and machinery, are reported in the government-wide Statement of Net Position.

The District follows a capitalization policy, which calls for capitalization of all fixed assets that have a cost or donated value of \$750 or more and have a useful life in excess of one year.

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date donated. Public domain (infrastructure) capital assets consisting of certain improvements other than building, including swales, culverts and excavations are capitalized. The District has segregated the cost of land and the cost of constructing swales into the "land and swales" categories of capital assets. Since the District continually maintains its swales and drainage systems it owns, the District elected not to depreciate such systems. No debt-related interest expense is capitalized as part of capital assets in accordance with GASB 34.

Maintenance, repairs and minor renovations are not capitalized.

Expenditures that materially increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement, the cost is eliminated from the respective accounts.

Expenditures for capital assets are recorded in the fund statements as current expenditures. However, such expenditures are not reflected as expenditures in the government-wide financial statements but rather are capitalized and depreciated.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings	15-30
Equipment and Machinery	5-10
Improvements	10-20
General Infrastructure	10-50

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Budgets and Budgetary Accounting

The District has adopted an annual budget for the General Fund.

The District follows these procedures in establishing budgetary data for the General Fund.

1. During the spring or summer of each year, the Chairman submits to the Board of Supervisors a proposed operating budget for the fiscal year commencing on the upcoming October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer/landowner comments.
3. The budget is adopted by approval of the Board of Supervisors.
4. Budget amounts, as shown in these basic financial statements, are as originally adopted or as amended by the Board of Supervisors.
5. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America.
6. The level of control for appropriations is exercised at the fund level.
7. Appropriations lapse at year-end.
8. The Board of Supervisors did not approve any amendments to the budget during fiscal year September 30, 2021.

Compensated Absences

The District's employees do not accumulate sick and annual leave for years of continuous service. Therefore no accumulated annual leave at September 30, 2021, was recorded in the basic financial statements.

Capital Assessment Receivable

The District annually levies a capital assessment pursuant to Chapters 298.36 and 298.50 of the Florida Statutes specifically to service notes payables which were collateralized by such levies. These levies were authorized in 2005 for 20 years. The proceeds from such levies are used to service the related outstanding notes payable. As such, the capital assessment receivable is recorded in an equal amount to the related outstanding assessment receivable balance.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Encumbrances

Encumbrances accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District because, at present, it is not necessary in order to assure effective budgetary control or to facilitate effective cash planning and control.

Due From Other Governments

No allowance for losses on uncollectible accounts has been recorded since the District considered all amounts to be fully collectible.

Net position

In the government-wide financial statements restricted net assets are those net assets that have constraints as to their use externally imposed by creditors, through debt covenants, by grantors, or by law.

Fund balances

The governmental fund financial statements the District maintains include nonspendable, assigned and unassigned fund balances. Nonspendable fund balances are those that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Criteria include items that are not expected to be converted into cash, such as prepaid expenses, deposits and long-term special assessments receivable.

The District's Board has not assigned any of the fund balances for the fiscal year ended September 30, 2021.

Management Estimates

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Subsequent Events

Subsequent events have been evaluated through April 20, 2022, which is the date the basic financial statements were available to be issued.

NOTE B - CASH AND INVESTMENTS

At September 30, 2021, cash was \$148,157, including restricted funds of \$914.

Deposits

The District's deposit policy allows deposits to be held in demand deposit or money market accounts in compliance with Florida Statutes, Chapter 218.415(17). Deposits, at times during the fiscal year, exceeded FDIC insurance limits and were covered by collateral pursuant to the Public Depository Security Act (Chapter 280, F.S.).

At September 30, 2021, the carrying amount of the District's deposits was \$148,157 in the General Fund and the bank balance was \$148,257. These deposits were entirely covered by federal depository insurance or by collateral pursuant to the Public Depository Security Act of the State of Florida. All deposits were held in a qualified public depository at September 30, 2021.

Investments

Florida Statutes and the District's investment policy authorize investments in the Local Government Surplus Funds Trust Fund (SBA) administered by the State Board of Administration. At September 30, 2021, the District's investments in the Local Government Surplus Funds Trust Fund consist of the following:

	<u>Cost Basis</u>	<u>Fair Value (NAV)/ Carrying Amount</u>
<u>General Fund</u>		
Local Government Surplus Trust Fund (SBA)		
Fund "A" (LGIP) Prime	\$ 830,288	\$ 830,288
Total investments - General Fund	<u>\$ 830,288</u>	<u>\$ 830,288</u>

NOTE B - CASH AND INVESTMENTS, CONTINUED

The Local Government Surplus Funds Trust Fund (Florida PRIME (formerly Fund "A")) is an external 2a7-like investment pool, administered by the Florida State Board of Administration. The Local Government Surplus Funds Investment Pool Trust Fund is not categorized as it is not evidenced by securities that exist in physical or book entry form. The Local Government Surplus Trust Funds Investment Pool's shares are stated at amortized cost (NAV), which approximates fair value. These investments are subject to the risk that the market value of an investment, collateral protecting a deposit or securities underlying a repurchase agreement, will decline. The District's investment in the Fund represented less than 1% of the Fund's total investments. Investments held in the Fund include, but are not limited to, short-term federal agency obligations, treasury bills, repurchase agreements and commercial paper. These short-term investments are stated at amortized cost, which approximates market. Investment income is recognized as earned and is allocated to participants of the Fund based on their equity participation.

At September 30, 2021, the District reported SBA investments of \$830,288 fair value/cost for amounts held in Florida PRIME. The Florida PRIME carried a credit rating of AAAM by Standard and Poors and had a weighted average days to maturity (WAM) of 49 days at September 30, 2021. The weighted average life (WAL) of PRIME was 64 days at September 30, 2021.

The District adheres to GASB Statement No. 79 which requires the following disclosures related to its Florida PRIME investment:

Redemption Gates: Chapter 218.409(8)(a), Florida Statutes, states that "The principal, and any part thereof, of each account constituting the trust fund is subject to a payment at any time from the moneys in the trust fund. However, the Executive Director of the fund may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Executive Director has instituted such measures to review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on the contributions and

NOTE B - CASH AND INVESTMENTS, CONTINUED

withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days.”

Foreign Currency Risk: Prime was not exposed to any foreign risk during the period October 1, 2020 to September 30, 2021.

Liquidity Fees: Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosures in the enrollment materials of the amount and purpose of such fees. At September 30, 2021, no such disclosure has been made.

Redemption Fees: As of September 30, 2021, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100 percent of their account value.

Fair Value: The cost and carrying value of the cash, cash equivalents, and investments held by the District approximate fair value and as such are reported at amortized cost.

Security Lending: PRIME did not participate in a securities lending program during the year October 1, 2020 through September 30, 2021.

PRIME audited financial statements for the year ended June 30, 2021 are available online.

Cash and Investment Policy

The District has adopted a cash and investment policy consistent with Florida Statute Chapter 218.415(17).

SAN CARLOS ESTATES WATER CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE C - CAPITAL ASSETS ACTIVITY

The following is a summary of changes in capital assets activity for the year ended September 30, 2021:

	Balance October 1 2020	Increases/ Additions	Decreases/ Retirements	Adjustments/ Reclassifications	Balance September 30 2021
Capital Assets Not Being Depreciated:					
Land	\$ 7,500	\$ -	\$ -	\$ -	\$ 7,500
Swales	<u>10,922,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,922,820</u>
Total Capital Assets Not Being Depreciated	<u>10,930,320</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,930,320</u>
Capital Assets Being Depreciated:					
Infrastructure	<u>1,363,325</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,363,325</u>
Total Capital Assets Being Depreciated	<u>1,363,325</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,363,325</u>
Less Accumulated Depreciation:					
Infrastructure	<u>(337,923)</u>	<u>(29,828)</u>	<u>-</u>	<u>-</u>	<u>(367,751)</u>
Total Accumulated Depreciation	<u>(337,923)</u>	<u>(29,828)</u>	<u>-</u>	<u>-</u>	<u>(367,751)</u>
Total Capital Assets Being Depreciated, Net	<u>1,025,402</u>	<u>(29,828)</u>	<u>-</u>	<u>-</u>	<u>995,574</u>
Capital Assets, Net	<u>\$ 11,955,722</u>	<u>\$ (29,828)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>11,925,894</u>
				Less: Long Term Debt	<u>(1,324,022)</u>
				Net Investment in Capital Assets	<u>\$ 10,601,872</u>

Depreciation expense was charged to the following functions during the year ended September 30, 2021:

	<u>Amount</u>
Water Control	<u>\$ 29,828</u>
Total Depreciation Expense	<u>\$ 29,828</u>

SAN CARLOS ESTATES WATER CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE D - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended September 30, 2021:

	Balance October 1 2020		Retirements/ Adjustments	Balance September 30 2021	Amounts Due Within One Year
Phase I Note Payable	\$ 1,791,362	\$ -	\$ 467,340	\$ 1,324,022	\$ 399,254
Phase II Note Payable	235,329	-	235,329	-	-
	<u>\$ 2,026,691</u>	<u>\$ -</u>	<u>\$ 702,669</u>	<u>\$ 1,324,022</u>	<u>\$ 399,254</u>

The following is a summary of the long-term obligations at September 30, 2021:

	<u>Amount</u>
On July 6, 2005, the District entered into a \$10,000,000 note payable to a financial institution to fund Phase I of the capital improvement project. Under the terms of the note, prepayments of assessments are permitted and remaining principal and interest shall be re-amortized over the remaining term of the note. The District made an additional \$89,000 prepayment of principal during FY 21. As such, the loan was re-amortized on August 1, 2021 in the amount of \$1,324,022. Payments of principal and interest of \$226,792 are due semi-annually, beginning February 1, 2022 and ending February 1, 2025, based on an interest rate of 4.37% per annum. The note is collateralized by special assessments Phase I of the District. The District adjusts the note payment annually to reflect Phase I special assessment collections.	\$ 1,324,022
On January 23, 2007, the District entered into a \$1,200,000 note payable to a financial institution to fund Phase II of the capital improvement project. Under the terms of the note, prepayments of assessments were permitted and remaining principal and interest shall be re-amortized over the remaining term of the note. Payments of principal and interest of \$32,608 were due semi-annually, beginning February 1, 2007 and ending February 1, 2025, based on an interest rate of 5.15% per annum. The note was collateralized by special assessments Phase II of the District. The note was paid in full on July 28, 2021.	-
	1,324,022
Less: Current Portion	<u>(399,254)</u>
Long Term Portion	<u>\$ 924,768</u>

NOTE D - LONG-TERM OBLIGATIONS, CONTINUED

The annual debt service requirements for the note payable at September 30, 2021 were as follows:

Years Ending September 30	Note Payable Principal	Interest Payable	Total
2022	\$ 399,254	\$ 54,330	\$ 453,584
2023	417,140	36,444	453,584
2024	435,791	17,793	453,584
2025	71,837	1,605	73,442
	<u>\$ 1,324,022</u>	<u>\$ 110,172</u>	<u>\$ 1,434,194</u>

Interest expenditures for the year ended September 30, 2021 was \$86,843.

NOTE E - NON-AD VALOREM ASSESSMENT MAINTENANCE TAX

The District levies an annual non-ad valorem assessment maintenance tax which includes an operating and maintenance (O&M) component used to fund the District's general operations (General Fund) and a debt component used solely to service the District's outstanding special assessment debt for Phase I and Phase II. The Phase II note payable (debt) was paid in full during the fiscal year ended September 30, 2021 and the Board discontinued the assessment for the subsequent year.

Maintenance taxes are levied after formal adoption of the District's budget and become due and payable on November 1 of each year and are delinquent on April 1 of the following year. Discounts on maintenance taxes are allowed for payments made prior to the April 1 delinquent date. Tax certificates are sold to the public for the full amount of any unpaid taxes and must be sold no later than June 1 of each year. The billing, collection and related record keeping of all maintenance taxes is performed for the District by the Lee County Tax Collector. No accrual for the maintenance tax levy becoming due in November 2021 is included in the accompanying financial statements, since such taxes are collected to finance the expenditures of the subsequent period. A due from other governments was recorded from Lee County at September 30, 2021 in the amount of \$1,824.

Procedures for collecting delinquent taxes, including applicable tax certificate sales and tax deed sales, are provided for by Florida Statutes. The enforceable lien date is approximately two years after taxes become delinquent and occurs only upon request of a holder of a delinquent tax certificate.

NOTE E - ASSESSMENTS, CONTINUED

Important dates in the maintenance tax cycle are as follows:

Assessment roll certified	July 1
Assessment resolution approved	No later than 93 days following certification of assessment roll
Taxes due and payable (Levy date)	November, with various discount provisions through March 31
Maintenance Taxes payable - maximum discount (4 percent)	30 days after levy date
Beginning of fiscal year for which taxes have been levied	October 1
Due Date	March 31
Taxes become delinquent (lien date)	April 1
Tax certificates sold by the Lee County Tax Collector	Prior to June 1

Under the provisions of Chapter 298.54 of the Florida Statutes, the Board of Supervisors of the District levied a uniform maintenance tax of \$320.81 per acre of land within the District to pay the operating costs for the year ended September 30, 2021. These costs include field operations, surveys, engineering, legal and accounting fees and other expenses as judged necessary by the Board for operations and maintenance of the District.

Under the provisions of Chapter 298.36 and 298.50 of the Florida Statutes, the Board of Supervisors levied two (2) capital assessments in order to service the Phase I and Phase II Notes Payable. The net levy collections were as follows for the year ended September 30, 2021:

Phase I	\$567,405
Phase II	\$ 76,200

NOTE F - SELF-INSURANCE PROGRAM

The District is a member of the Florida League of Cities self-insurers program including general/professional liability, auto, property, and workers' compensation. The program purchases excess and other specific coverages from third party carriers. Members of the program are billed annually for their portion of the program and are

NOTE F - SELF-INSURANCE PROGRAM, CONTINUED

not assessable for unanticipated losses incurred by the program. Maximum liability coverage is \$300,000. The District also pays for the required Supervisor fidelity bonds. Premiums paid during the year ended September 30, 2021 totaled \$11,389.

NOTE G - CONTINGENCIES

The District is involved from time to time in certain routine litigation, the substance of which, either as liabilities or recoveries, would not materially affect the financial position of the District. Although the final outcome of the lawsuits, assertions, and claims, or the exact amount of costs and/or potential recovery, is not presently determinable, in the opinion of the District's legal counsel, the resolution of these matters will not have a materially adverse affect on the financial condition of the District. As a general policy, the District plans to vigorously contest any such matters.

NOTE H - COVID 19

In early March 2020, the World Health Organization classified the coronavirus outbreak "COVID-19" as a global pandemic, and it, unfortunately, continues to spread. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, have been severely impacted, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. On April 1, 2020, Florida Governor, Ron DeSantis ordered all Floridians to stay home, to lock down the State against the Coronavirus.

The District has adapted its operations to accommodate the current environment. However, the full impact of the COVID-19 outbreak continues to evolve as of the date of this report. This pandemic has adversely affected global economic activity and greatly contributed to instability in financial markets. Management is actively monitoring the local situation on its financial condition, liquidity, operations, donors, industry, and workforce. Given the daily evolution of COVID-19 and the global and local responses to curb its spread, the District is not able to estimate the future effects of COVID-19 on its results of operation, financial condition, or liquidity for fiscal year 2021-22.

SAN CARLOS ESTATES WATER CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE I - PRIOR PERIOD ENTRY

During the year ended September 30, 2021, the District determined the outstanding capital assessment receivable - Phases I and II and the related notes payable - Phases I and II were more properly recorded on the government-wide financial statements and not in the general fund financial statements due to the long term nature of these receivables and payables. As such, a prior period entry was posted to the general fund statements as noted below. As a result of this prior period entry and the resulting annual accounting of the collection of the debt related capital assessments, the collections will now be recorded on the statement of revenues, expenditures and changes in fund balance as a revenue rather than a reduction of the outstanding notes payable balance.

The capital assessment receivables were removed from the balance sheet at September 30, 2020.

Fund balance, as originally stated	\$ 3,251,611
Restatement:	
Capital assessment receivable Phase I	(1,791,362)
Capital assessment receivable Phase II	<u>(235,329)</u>
Total Restatement	<u>(2,026,691)</u>
Fund Balance, as restated	<u><u>\$ 1,224,920</u></u>

**REQUIRED SUPPLEMENTARY
INFORMATION
OTHER THAN MD&A**

**SAN CARLOS ESTATES WATER CONTROL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND
ACTUAL - GENERAL FUND - SUMMARY STATEMENT
Year Ended September 30, 2021**

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
General maintenance taxes	\$ 342,798	\$ 342,798	\$ 335,994	\$ (6,804)
Phase I assessment	574,329	574,329	547,500	(26,829)
Phase II assessment	77,189	77,189	72,669	(4,520)
Use and connection fees	22,500	22,500	77,688	55,188
Interest income	6,224	6,224	5,939	(285)
Miscellaneous income	600	600	26,474	25,874
Prior year budgeted carryforward	72,878	72,878	-	(72,878)
TOTAL REVENUES	<u>1,096,518</u>	<u>1,096,518</u>	<u>1,066,264</u>	<u>(30,254)</u>
EXPENDITURES				
Current				
General government				
Administration				
Personnel services	72,000	72,000	70,268	1,732
Operating expenditures	<u>155,800</u>	<u>155,800</u>	<u>166,307</u>	<u>(10,507)</u>
	227,800	227,800	236,575	(8,775)
Physical environment				
Field operations				
Operating expenditures	<u>219,000</u>	<u>219,000</u>	<u>309,079</u>	<u>(90,079)</u>
	219,000	219,000	309,079	(90,079)
Capital outlay	-	-	-	-
Debt service:				
Principal reduction	562,793	562,793	702,669	(139,876)
Interest and fiscal charges	<u>86,925</u>	<u>86,925</u>	<u>86,843</u>	<u>82</u>
TOTAL EXPENDITURES	<u>1,096,518</u>	<u>1,096,518</u>	<u>1,335,166</u>	<u>(238,648)</u>
OTHER FINANCING SOURCES				
Proceeds from issuance of note payable	-	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	(268,902)	<u>\$ (268,902)</u>
FUND BALANCE - BEGINNING, AS RESTATED			<u>1,224,920</u>	
FUND BALANCE - ENDING			<u>\$ 956,018</u>	

The accompanying notes are an integral part of this statement.

**SAN CARLOS ESTATES WATER CONTROL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND
ACTUAL - GENERAL FUND - DETAILED STATEMENT
Year Ended September 30, 2021**

	General Fund			
	Original	Final	Actual	Variance
	Budget	Budget		(Unfavorable)
REVENUES				
General maintenance taxes	\$ 342,798	\$ 342,798	\$ 335,994	\$ (6,804)
Phase I assessment	574,329	574,329	547,500	(26,829)
Phase II assessment	77,189	77,189	72,669	(4,520)
Use and connection fees	22,500	22,500	77,688	55,188
Interest income	6,224	6,224	5,939	(285)
Miscellaneous income	600	600	26,474	25,874
Prior year budgeted carryforward	72,878	72,878	-	(72,878)
TOTAL REVENUES	<u>1,096,518</u>	<u>1,096,518</u>	<u>1,066,264</u>	<u>(30,254)</u>
EXPENDITURES				
Current				
General government				
Administration				
Personnel services				
Salaries/wages	72,000	72,000	63,602	8,398
Payroll taxes	-	-	4,866	(4,866)
Supervisor compensation	-	-	1,800	(1,800)
TOTAL - GENERAL GOVERNMENT				
PERSONNEL SERVICES	<u>72,000</u>	<u>72,000</u>	<u>70,268</u>	<u>1,732</u>
Operating expenditures				
Engineer	80,000	80,000	103,015	(23,015)
Professional fees	44,700	44,700	32,267	12,433
Insurance	11,000	11,000	11,389	(389)
Property appraiser fees	5,500	5,500	4,991	509
Miscellaneous	14,600	14,600	14,645	(45)
TOTAL - ADMINISTRATION				
OPERATING EPENDITURES	<u>155,800</u>	<u>155,800</u>	<u>166,307</u>	<u>(10,507)</u>
TOTAL ADMINISTRATION				
CARRIED FORWARD	<u>227,800</u>	<u>227,800</u>	<u>236,575</u>	<u>(8,775)</u>

The accompanying notes are an integral part of this statement.

SAN CARLOS ESTATES WATER CONTROL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND
ACTUAL - GENERAL FUND - DETAILED STATEMENT, CONTINUED
Year Ended September 30, 2021

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
EXPENDITURES, CONTINUED				
TOTAL ADMINISTRATION BROUGHT FORWARD	<u>227,800</u>	<u>227,800</u>	<u>236,575</u>	<u>(8,775)</u>
Physical environment				
Field operations				
Operating expenditures				
Swale mowing	114,000	114,000	114,000	-
Drainage	95,000	95,000	186,208	(91,208)
Roads and gate	<u>10,000</u>	<u>10,000</u>	<u>8,871</u>	<u>1,129</u>
TOTAL - FIELD OPERATIONS	<u>219,000</u>	<u>219,000</u>	<u>309,079</u>	<u>(90,079)</u>
Capital outlay	-	-	-	-
Debt service:				
Principal reduction	562,793	562,793	702,669	(139,876)
Interest and fiscal charges	<u>86,925</u>	<u>86,925</u>	<u>86,843</u>	<u>82</u>
	<u>649,718</u>	<u>649,718</u>	<u>789,512</u>	<u>(139,794)</u>
TOTAL EXPENDITURES	<u>1,096,518</u>	<u>1,096,518</u>	<u>1,335,166</u>	<u>(238,648)</u>
OTHER FINANCING SOURCES				
Proceeds from issuance of note payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>(268,902)</u>	<u>\$ (268,902)</u>
FUND BALANCE - BEGINNING, AS RESTATED			<u>1,224,920</u>	
FUND BALANCE - ENDING			<u>\$ 956,018</u>	

The accompanying notes are an integral part of this statement.

ADDITIONAL REPORTS



TUSCAN
& Company, PA

Certified Public Accountants & Consultants

Affiliations

Florida Institute of Certified Public Accountants

American Institute of Certified Public Accountants

Private Companies Practice Section

Tax Division

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

Board of Supervisors
San Carlos Estates Water Control District
P.O. Box 367807
Bonita Springs, Florida 34136

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America, the basic financial statements of the governmental activities and the major fund of San Carlos Estates Water Control District (the "District") as of and for the year ended September 30, 2021 and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents and have issued our report thereon dated April 20, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

INTEGRITY SERVICE EXPERIENCE

material misstatement of the basic financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined previously. However, material weaknesses may exist that have not been identified.

We did, however, note certain other matters that we have reported in our Independent Auditor's Report to Management dated April 20, 2022.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Carlos Estates Water Control District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards.

See matters noted in our Independent Auditor's Report to Management dated April 20, 2022.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



TUSCAN & COMPANY, P.A.
Fort Myers, Florida
April 20, 2022



TUSCAN
 & Company, PA

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Affiliations

Florida Institute of Certified Public Accountants
 American Institute of Certified Public Accountants
 Private Companies Practice Section
 Tax Division

**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE
 WITH SECTION 218.415, FLORIDA STATUTES**

Board of Supervisors
 San Carlos Estates Water Control District
 P.O. Box 367807
 Bonita Springs, Florida 34136

We have examined San Carlos Estates Water Control District's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2021. Management is responsible for San Carlos Estates Water Control District's compliance with those requirements. Our responsibility is to express an opinion on San Carlos Estates Water Control District's compliance based on our examination.

Our 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 San Carlos Estates Water Control District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on San Carlos Estates Water Control District's compliance with specified requirements.

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

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

Tuscan & Company, P.A.

TUSCAN & COMPANY, P.A.
 Fort Myers, Florida
 April 20, 2022

INTEGRITY SERVICE EXPERIENCE



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INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT

Board of Supervisors
 San Carlos Estates Water Control District
 P.O. Box 367807
 Bonita Springs, Florida 34136

We have audited the accompanying basic financial statements of San Carlos Estates Water Control District (the "District") as of and for the year ended September 30, 2021 and have issued our report thereon dated April 20, 2022.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America and Chapter 10.550, Rules of the Florida Auditor General. We have issued our 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 and Chapter 10.550, Rules of the Florida Auditor General. Disclosures in those reports, which are dated April 20, 2022, should be considered in conjunction with this report to management.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports:

- 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 financially significant prior year comments.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. No such recommendations were noted to improve financial management.

INTEGRITY SERVICE EXPERIENCE

- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- 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 the management letter, unless disclosed in the notes to the financial statements. The District discloses this information in the notes to the financial statements.
- Section 10.554(1)(i)5.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity 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 our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Pursuant to Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, we have applied financial condition assessment procedures. 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. In connection with our audit, we determined that the District did not meet any of the criteria of a deteriorating financial condition described in Auditor General Rule Section 10.554(1)(i)(5).a.
- Pursuant to Section 10.554(1)(i)5.b.2, Rules of the Auditor General, if a deteriorating financial condition(s) is noted then a statement is so required along with the conditions causing the auditor to make such a conclusion. No such conditions were noted.
- Pursuant to Section 10.554(1)(i)5.c., Rules of the Auditor General, requires a statement indicating a failure, if any, of a component unit special district to provide financial information necessary to a proper reporting of the component unit within the audited financial statements of this entity (F.S. Section 218.39(3)(b)). There are no known component special districts required to report within these financial statements.
- Pursuant to Section 10.554(1)(i)6, Rules of the Auditor General, requires disclosure of certain unaudited data. See Exhibit 2.
- Pursuant to Section 10.554(1)(i)7, Rules of the Auditor General, requires an independent special district that imposes a valorem taxes to disclose certain related unaudited data. See Exhibit 2.

- Pursuant to Section 10.554(1)8, Rules of the Auditor General, requires an independent special district that imposes a non-ad valorem special assessment to disclose certain unaudited data. See Exhibit 2.
- Section 10.556(10)(a), Rules of the Auditor General, requires that the scope of our audit to determine the entity's compliance with the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the District complied with Section 218.415, Florida Statutes as reported in our Independent Accountant's Report on Compliance with Section 218.415, Florida Statutes dated April 20, 2022, included herein.

PRIOR YEAR COMMENTS THAT CONTINUE TO APPLY:

There were no financially significant prior year comments noted from the previous auditor.

CURRENT YEAR COMMENTS:

2021-1 The District Should Maintain and Update Website Frequently

The District's website did not include the minimum requirements per Florida Statute 189.069(2)(a). The requirements that were not posted on the website included the originating documents, District boundaries, and the annual budget of the special district for the two (2) most recent years. In addition, several items listed on the website contained broken links. We recommend that the District monitor and update the District's website regularly.

2021-2 Carryforward Funds Not Included in Budget, Annual Expenditures Exceeded Budget and Budget Should be Amended for Significant Events

The fiscal year 2021 adopted budget did not include all balances brought forward from prior fiscal years as required by Florida Statute 189.016(3). As a result, the District expenditures exceeded the approved budget. The excess of expenditures over budget of \$238,648 was primarily due to an additional debt service payment to pay off the Phase 2 loan and not including all balances brought forward from prior fiscal years.

We recommend the District include all balances brought forward from prior years in the annual budget. In addition, the budget should be amended during the year for any significant changes (such as debt repayment) and to update the carryforward to the audited fund balance.

2021-3 The District Should Approve a Fixed Asset Policy

During the audit, it was noted that no formal fixed asset policy was established for the District per Florida Statute 274 and 69I-73.002. We recommend the Board approve a fixed asset policy that address the capitalization threshold and useful life of assets as well as the acquisition, use, control, protection, maintenance and disposal of assets.

2021-4 The District Should Obtain Credit Card for District Purchases

The District provided numerous reimbursements to the District Treasurer/Secretary for expenditures paid for with personal funds. We recommend the District obtain a credit card to be used solely for the expenditures of the District. The credit card should be secured by the District Treasurer/Secretary and contain a reasonable limit. All expenditures should be accompanied by a receipt and purchased with prior approval as required by all District expenditures.

2021-5 Additional Oversight Should be Performed

During the audit, it was noted the District Treasurer/Secretary has check signing authority. In addition, she prepares checks for approved invoices, receives the bank statements and prepares the monthly bank reconciliations. Due to the size of the District, there is only one employee and therefore segregation of duties is difficult to accomplish. Based on this, we recommend that a Board member receive the unopened bank statements. The statements should be reviewed for unusual or unexpected items and amounts, then signed and dated by the board member and distributed to the Treasurer/Secretary for preparation of the reconciliation. We further recommend that the board packet distributed for the monthly meeting include the monthly budget vs. actual statement, the bank reconciliations and bank statements and a detailed listing of checks written for the month. Board approval of the packet should be noted in the minutes.

2021-6 Compliance with Loan Covenants Should be Performed and Documented.

The Phase I loan contains various covenants such as providing the bank with the annual budget, certified assessment roll and audited financial statements. It was difficult to determine if such covenants were adhered to as documentation of the submission of the required information was not readily available. In addition, one of the covenants states that "records of the District shall be open to inspection by the bank or its representatives at the offices of the district". The District does not maintain an office space, thereby making compliance with this covenant difficult to achieve. We recommend that the Board or Treasurer/Secretary address all the covenants contained in the loan and maintain documentation of compliance. The bank should be consulted to determine if they consider the District to be in compliance with all covenants.

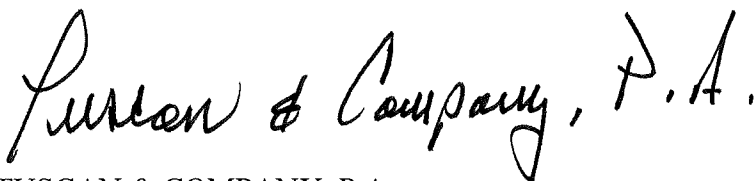
2021-7 Fund Balance Policy Should be Adopted

The District has not adopted a fund balance policy as required by GASB No. 54. We noted the District did not assign any portion of its fund balance for specific purposes such as emergencies, capital replacements, and operations (approximately 3 months).

We recommend the District create a fund balance policy to assign a portion of its fund balance for an emergency reserve in as recommended by the District Engineer, a 3 month operating reserve and other reserves as deemed necessary by the Board.

2021-8 Checks Should be Printed from QuickBooks

During the audit, it was noted that checks were prepared manually and then entered into QuickBooks. This allows for errors during the data entry posting and the ability to modify the information during the posting process. We recommend that all checks be printed from QuickBooks to maintain integrity and reduce the possibility of errors.



TUSCAN & COMPANY, P.A.

Fort Myers, Florida

April 20, 2022

EXHIBIT 1



PO Box 367807
Bonita Springs, FL 34136

May 16, 2022

Mr. Jeff Tuscan
Tuscan & Company PA
12621 World Plaza Lane
Building 55
Fort Myers, FL 33907

Re: San Carlos Estates Water Control District
2020-2021 Financial Audit Report
Management Responses

Dear Mr. Tuscan:

In response to the Current Year Comments for the 2020-2021 Financial Audit Report:

2021-1 The District Should Maintain and Update Website Frequently

The District's website did not include the minimum requirements per Florida Statute 189.069(2)(a). The requirements that were not posted on the website included the originating documents, District boundaries, and the annual budget of the special district for the two (2) most recent years. In addition, several items listed on the website contained broken links. We recommend that the District monitor and update the District's website regularly.

The items identified as not on the website have been added. The website will be monitored and updated as needed.

2021-2 Carryforward Funds Not Included in Budget, Annual Expenditures Exceeded Budget and Budget Should be Amended for Significant Events

The fiscal year 2021 adopted budget did not include all balances brought forward from prior fiscal years as required by Florida Statute 189.016(3). As a result, the District expenditures exceeded the approved budget. The excess of expenditures over budget of \$401,308 was primarily due to an additional debt service payment to pay off the Phase 2 loan and not including all balances brought forward from prior fiscal years.

We recommend the District include all balances brought forward from prior years in the annual budget. In addition, the budget should be amended during the year for any significant changes (such as debt repayment) and to update the carryforward to the audited fund balance.

The Board will adopt a Resolution to update the budget to include the audited fund balance carryforward amount. Interim updates and budget amendments will occur throughout the year as needed.

2021-3 The District Should Approve a Fixed Asset Policy

During the audit, it was noted that no formal fixed asset policy was established for the District per Florida Statute 274 and 69I-73.002. We recommend the Board approve a fixed asset policy that address the capitalization threshold and useful life of assets as well as the acquisition, use, control, protection, maintenance and disposal of assets.

The Board will adopt a fixed Asset Policy.

2021-4 The District Should Obtain Credit Card for District Purchases

The District provided numerous reimbursements to the District Treasurer/Secretary for expenditures paid for with personal funds. We recommend the District obtain a credit card to be used solely for the expenditures of the District. The credit card should be secured by the District Treasurer/Secretary and contain a reasonable limit. All expenditures should be accompanied by a receipt and purchased with prior approval as required by all District expenditures.

A credit card application will be submitted with Bank of America on behalf of the San Carlos Estates Water Control District.

2021-5 Additional Oversight Should be Performed

During the audit, it was noted the District Treasurer/Secretary has check signing authority. In addition, she prepares checks for approved invoices, receives the bank statements and prepares the monthly bank reconciliations. Due to the size of the District, there is only one employee and therefore segregation of duties is difficult to accomplish. Based on this, we recommend that a Board member receive the unopened bank statements. The statements should be reviewed for unusual or unexpected items and amounts, then signed and dated by the board member and distributed to the Treasurer/Secretary for preparation of the reconciliation. We further recommend that the board packet distributed for the monthly meeting include the monthly budget vs. actual statement, the bank reconciliations and bank statements and a detailed listing of checks written for the month. Board approval of the packet should be noted in the minutes.

A process will be adopted whereby upon receipt of the bank statement(s), they will be delivered unopened to a Board Supervisor for review and approval. The approval will be dated and signed by the reviewing Board Supervisor. A stamp will be obtained for this purpose. Once approved, the statements will be returned to the Treasurer for reconciliation and filing.

We have already adopted much of the board packet recommendation. The Board is receiving at a minimum the recommended reports for the prior month-end for approval and said approval is recorded on the minutes. For the current month, the Board is receiving a detailed listing of checks written for the month, the monthly budget vs actual statement, the income and expense comparison with the prior fiscal year. We will initiate approval of these current month reports as part of the approval process and record said approval in the minutes.

2021-6 Compliance with Loan Covenants Should be Performed and Documented.

The Phase I loan contains various covenants such as providing the bank with the annual budget, certified assessment roll and audited financial statements. It was difficult to determine if such covenants were adhered to as documentation of the submission of the required information was not readily available. In addition, one of the covenants states that "records of the District shall be open to inspection by the bank or it's representatives at the offices of the district". The District does not maintain an office space, thereby making compliance with this covenant difficult to achieve. We recommend that the Board or

Treasurer/Secretary address all the covenants contained in the loan and maintain documentation of compliance. The bank should be consulted to determine if they consider the District to be in compliance with all covenants.

Bank of America has confirmed compliance with the loan covenants pending receipt of the audited financial report for 2020-2021. Task reminders have been established in Outlook to ensure ongoing timely compliance with all of the loan covenants. In addition, confirmation that the loan covenants have been met for the fiscal year will be sought from Bank of America within three months following the end of the fiscal year.

2021-7 Fund Balance Policy Should be Adopted

The District has not adopted a fund balance policy as required by GASB No. 54. We noted the District did not assign any portion of its fund balance for specific purposes such as emergencies, capital replacements, and operations (approximately 3 months).

We recommend the District create a fund balance policy to assign a portion of its fund balance for an emergency reserve in as recommended by the District Engineer, a 3-month operating reserve and other reserves as deemed necessary by the board.

The Board will adopt a Fund Balance Policy for a three-month operating reserve and emergency reserve. Quickbooks will be updated to include these sub-account reserves as part of the assigned account balance. The engineer will be requested to supply the amount for the emergency reserve. The Treasurer will supply the amount needed for the operating reserve. Should the Board decide that any other reserve funds should be designated and assigned, they will amend the Fund Balance Policy to incorporate additional assigned reserves.

2021-08 Checks Should be Printed from QuickBooks

During the audit, it was noted that checks were prepared manually and then entered into QuickBooks. This allows for errors during the data entry posting and the ability to modify the information during the posting process. We recommend that all checks be printed from QuickBooks to maintain integrity and reduce the possibility of errors.

Checks that are compatible with Quickbooks have been ordered for the Bank of America General Maintenance Account ending in -7870 beginning with check number 4406. The current check supply should last for one more month of normal business. The new check supply should be available for use after June 2022 and all checks will be printed from Quickbooks going forward after June 2022.

Should you wish to discuss any of these responses or have additional recommendations, please do not hesitate to contact me or the Board of Supervisors.

Respectfully,

M. Chris Lawson

M. Chris Lawson
Secretary/Treasurer
Manager of Operations

EXHIBIT 2

**UNAUDITED
COMPLIANCE WITH REPORTING REQUIRED BY:**

Auditor General Rule 10.554(1)(i)6

For a dependent special district or an independent special district, or a local government entity that includes the information of a dependent special district as provided in Section 218.39(3)(a), Florida Statutes, the following specific information provided by management (with explanatory verbiage that the auditor provides no assurance on the information:

- a. The total number of district employees compensated in the last pay period of the district's fiscal year being reported (see information required in Section 218.32(1)(e)2.a., Florida Statutes). Two (2)
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year being reported (see information required in Section 218.32(1)(e)2.b., Florida Statutes). Five (5)
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency (see information required in Section 218.32(1)(e)2.c., Florida Statutes). (Total wage compensation for the fiscal year being audited)
\$63,602
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency (see information required in Section 218.32(1)(e)2.d., Florida Statutes). (Amounts paid that would be reported on a Form 1099 for FYE) \$112,151
- e. Each construction project with a total cost of at least \$65,000 approved by the district that was scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project (see information required in Section 218.32(1)(e)2.e., Florida Statutes).
None
- f. A budget variance report based on the budget adopted under section 189.016(4), Florida Statutes, before the beginning of the fiscal year reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes (see information required in Section 218.32(1)(e)3., Florida Statutes). If there were amendments then include budget variance (original budget vs. actual at FYE). See attached page 3.

Auditor General Rule 10.554(1)(i)7

For an independent special district that imposes ad valorem taxes, the following specific information provided by management (with explanatory verbiage that the auditor provides no assurance on the information): (see information required in Section 218.32(1)(e)4., Florida Statutes).

- a. The millage rate or rates imposed by the district. N/A
- b. The current year gross amount of ad valorem taxes collected by or on behalf of the district. N/A
- c. The total amount of outstanding bonds issued by the district and terms of such bonds. N/A

Auditor General Rule 10.554(1)(i)8

For an independent special district that imposes non-ad valorem special assessments, the following specific information provided by management (with explanatory verbiage that the auditor provides no assurance on the information): (see information required in Section 218.32(1)(e)5., Florida Statutes).

- a. The rate or rates of such assessment imposed by the district. \$320.81 per acre
- b. The total amount of special assessments collected by or on behalf of the district.
Phase I gross assessments: \$567,405
Phase II gross assessments: \$76,200
- c. The total amount of outstanding bonds issued by the district and the terms of such bonds. \$1,324,022

SAN CARLOS ESTATES WATER CONTROL DISTRICT
ORIGINAL BUDGET vs. ACTUAL COMPARISON REPORT - UNAUDITED -
GENERAL FUND
Year Ended September 30, 2021

	General Fund		
	Original Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
General maintenance taxes	\$ 342,798	\$ 335,994	\$ (6,804)
Phase I assessment	574,329	547,500	(26,829)
Phase II assessment	77,189	72,669	(4,520)
Use and connection fees	22,500	77,688	55,188
Interest income	6,224	5,939	(285)
Miscellaneous income	600	26,474	25,874
Prior year budgeted carryforward	72,878	-	(72,878)
TOTAL REVENUES	<u>1,096,518</u>	<u>1,066,264</u>	<u>(30,254)</u>
EXPENDITURES			
Current			
General government			
Administration			
Personnel services	72,000	70,268	1,732
Operating expenditures	<u>155,800</u>	<u>166,307</u>	<u>(10,507)</u>
	227,800	236,575	(8,775)
Physical environment			
Field operations			
Operating expenditures	<u>219,000</u>	<u>309,079</u>	<u>(90,079)</u>
	219,000	309,079	(90,079)
Capital outlay	-	-	-
Debt service:			
Principal reduction	562,793	702,669	(139,876)
Interest and fiscal charges	<u>86,925</u>	<u>86,843</u>	<u>82</u>
TOTAL EXPENDITURES	<u>1,096,518</u>	<u>1,335,166</u>	<u>(238,648)</u>
OTHER FINANCING SOURCES			
Proceeds from issuance of note payable	-	-	-
TOTAL OTHER FINANCING SOURCES	-	-	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER)			
EXPENDITURES	<u>\$ -</u>	(268,902)	<u>\$ (268,902)</u>
FUND BALANCE - BEGINNING, AS RESTATED		<u>1,224,920</u>	
FUND BALANCE - ENDING		<u>\$ 956,018</u>	

The accompanying notes are an integral part of this statement.