

**HIGHLANDS SOIL AND WATER
CONSERVATION DISTRICT**

FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Highlands Soil and Water Conservation District (the "District"), Sebring, Florida as of and for the year ended September 30, 2017, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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.

Board of Supervisors
Highlands Soil and Water Conservation District

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by Chapter 10.550, Rules of the Auditor General, and is not a required part of the basic financial statements.

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

Board of Supervisors
Highlands Soil and Water Conservation District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

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

June 22, 2018

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(UNAUDITED)

The management’s discussion and analysis (MD&A) provides an overview of the financial position and activities of Highlands Soil and Water Conservation District (the “District”) for the year ended September 30, 2017, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis - for State and Local Governments. The MD&A, the financial statements, and notes thereto, are the responsibility of District management.

Overview of the Financial Statements

The basic financial statements consist of three components:

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(UNAUDITED)

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. The governmental funds statements provide a detailed short-term view that may be used to evaluate the District's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities differences. The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, BMP #21353, BMP #22861, BMP #23613, BMP #23933, BMP #23995 and BMP #24400.

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

Notes to Financial Statements

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

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,008,142 at the close of the most recent fiscal year and represents the District's net position.

Of this amount, the District had \$21,565 classified as net investment in capital assets and \$2,603 as restricted. The remaining \$983,974 of net position is unrestricted and may be used to meet the District's on going obligations to citizens. In addition, the District reports a long term net pension liability of \$176,518, which is an increase of \$53,831 from the prior year.

At September 30, 2017 total assets decreased \$539,467, deferred outflow of resources increased \$37,036, liabilities decreased \$603,955, and deferred inflow of resources increased \$8,924, resulting in an increase in net position for the year ended September 30, 2017 of \$92,600. The primary reason for the decrease in assets and liabilities is related to a decrease in cash advances from grants at the end of the current year when compared to the prior year. The increase in net position is discussed below under the table for the statement of activities.

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

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(UNAUDITED)

Highland Soil and Water Conservation District's Net Position

| | <u>2017</u> | <u>2016</u> | <u>Change</u> |
|----------------------------------|--------------------|-------------------|------------------|
| Current assets | \$3,349,466 | \$3,883,638 | \$ (534,172) |
| Capital assets | 21,565 | 26,860 | (5,295) |
| Total assets | <u>3,371,031</u> | <u>3,910,498</u> | <u>(539,467)</u> |
| | | | |
| Deferred outflow of resources | <u>130,726</u> | <u>93,690</u> | <u>37,036</u> |
| | | | |
| Current liabilities | 2,307,450 | 2,965,236 | (657,786) |
| Long-term liabilities: | | | |
| Net pension liability | <u>176,518</u> | <u>122,687</u> | <u>53,831</u> |
| Total liabilities | <u>2,483,968</u> | <u>3,087,923</u> | <u>(603,955)</u> |
| | | | |
| Deferred inflow of resources | <u>9,647</u> | <u>723</u> | <u>8,924</u> |
| | | | |
| Net position: | | | |
| Net investment in capital assets | 21,565 | 26,860 | (5,295) |
| Restricted - Lake McCoy project | 2,603 | 3,580 | (977) |
| Unrestricted | <u>983,974</u> | <u>885,102</u> | <u>98,872</u> |
| Total net position | <u>\$1,008,142</u> | <u>\$ 915,542</u> | <u>\$ 92,600</u> |

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(UNAUDITED)

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

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

| | <u>2017</u> | <u>2016</u> | <u>Change</u> |
|---|---------------------|-------------------|------------------|
| Expenses | | | |
| General government | | | |
| General and administrative | \$ 64,505 | \$ 60,847 | \$ 3,658 |
| Personal services | 343,997 | 213,002 | 130,995 |
| Physical environment | <u>8,267,999</u> | <u>4,124,900</u> | <u>4,143,099</u> |
| Total Expenses | <u>8,676,501</u> | <u>4,398,749</u> | <u>4,277,752</u> |
| Program Revenues | | | |
| Operating grants | <u>8,760,590</u> | <u>4,458,371</u> | <u>4,302,219</u> |
| Net program revenues (expenses) | 84,089 | 59,622 | 24,467 |
| General Revenues | | | |
| Miscellaneous | 2,710 | 630 | 2,080 |
| Investment earnings | <u>5,801</u> | <u>2,280</u> | <u>3,521</u> |
| Total General Revenues | <u>8,511</u> | <u>2,910</u> | <u>5,601</u> |
| Change in net position | 92,600 | 62,532 | 30,068 |
| Net position - beginning of the year | <u>915,542</u> | <u>853,010</u> | <u>62,532</u> |
| Net position - ending of the year | <u>\$ 1,008,142</u> | <u>\$ 915,542</u> | <u>\$ 92,600</u> |

Revenue from operating grants and physical environment expenses increased \$4,302,219 and \$4,143,099, respectively, in the current year. The primary reason for the increase is because of the higher dollar amount of grant activity the District administered for State grantor agencies. The purpose of the grants is to assist various agriculture producers to achieve Best Management Practices. Management fees earned by the District on these grants are based on either 2% or 5% of grant expenditures, depending on the contract, and amounted to \$187,341, which was an increase of \$28,211 compared to the prior year.

The increase in personal services of \$130,995 is due to an increase in the District's pension expense and hiring two new employees. The wages and associated costs were reimbursed under a grant at a rate of 75% to 100% of total costs. General and administrative expenses increased \$3,657. This increase is due to an increase in mobile irrigation lab expenses.

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(UNAUDITED)

Budgetary Highlights

Budgetary comparison schedules for the general and special revenue funds are contained on pages 34-40. The budgets for the fiscal year ended September 30, 2017 were developed based on the District’s anticipated revenues and expenditures for the fiscal year ended September 30, 2017. Budgetary amendments approved during the year provided for a decrease in budgetary appropriations of \$87,373 in the General Fund, \$1,602,741 in BMP #23613, \$140,714 in BMP #23933 and \$2,291,154 in BMP #23995, and additional budgetary appropriations of \$18,375 in BMP #24400. The additional appropriations were financed by additional budgeted revenues from grant amendments.

During the year, the General Fund’s budget for intergovernmental revenue was increased \$154,343 primarily from two grants that were awarded during the year and transfers in was decreased \$93,098 because of the timing of producer payments for administered grants. Actual intergovernmental revenues were less than budgeted, due to less being earned on the technician grant than was expected.

Actual intergovernmental revenues, physical environment expenditures and transfers out \$546 under the budget amounts in the #23613 Producer Cost-Share Fund and \$1,125 over the budget amounts in the #23995 Producer Cost-Share Fund. Actual amounts in these funds varied from the budget due to adjustments made to reduce accruals being recorded after the time allowed to amend the budget.

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

Capital Assets and Debt Administration

Capital Assets – The District’s investment in capital assets for its governmental activities as of September 30, 2017, amounted to \$21,565 (net of accumulated depreciation). This investment in capital assets includes equipment and a vehicle. There were no capital additions during 2017.

Highlands Soil and Water Conservation District’s Capital Assets

| | |
|-------------------------------|----------------------------|
| | Governmental Activities |
| Equipment - MIL | \$ 6,149 |
| Vehicle | 28,458 |
| Less accumulated depreciation | (13,042) |
| Total | \$ 21,565 |

Long-term Debt – At September 30, 2017, the District had no outstanding long-term debt to creditors and the only debt was for its net pension obligation of \$176,518. See Note 9 for additional details.

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(UNAUDITED)

Economic Factors and the 2017/2018 Budget

With the increased awareness and concerns over the future of water quality and supply, additional opportunities are being presented for the District to manage contracts. The District expects additional grant revenue from the Florida Department of Agriculture and Consumer Services in fiscal year 2017-18, which also provides additional administrative fees at either 2% or 5% of expenditures made by the District.

REQUESTS FOR INFORMATION

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

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

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HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

| | Governmental Activities |
|--|------------------------------------|
| Assets | |
| Cash and cash equivalents | \$ 3,293,701 |
| Due from other governments | 55,765 |
| Capital assets, net | 21,565 |
| Total Assets | 3,371,031 |
| Deferred Outflow of Resources | |
| Deferred outflows related to pensions | 130,726 |
| Liabilities | |
| Refundable advances | 2,307,450 |
| Net pension liability | 176,518 |
| Total Liabilities | 2,483,968 |
| Deferred Inflow of Resources | |
| Deferred inflows related to pensions | 9,647 |
| Net Position | |
| Net investment in capital assets | 21,565 |
| Restricted - Lake McCoy project | 2,603 |
| Unrestricted | 983,974 |
| Total Net Position | \$ 1,008,142 |

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

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | Governmental Activities |
|-----------------------------------|------------------------------------|
| Expenses | |
| General government | |
| General and administrative | \$ 64,505 |
| Personal services | 343,997 |
| Physical environment | |
| Operating expense | 8,267,999 |
| Total expenses | 8,676,501 |
| Program Revenues | |
| Operating grants | 8,760,590 |
| Net program revenues | 84,089 |
| General Revenues | |
| Miscellaneous | 2,710 |
| Interest earnings | 5,801 |
| Total general revenues | 8,511 |
| Change in Net Position | 92,600 |
| Net Position - October 1, 2016 | 915,542 |
| Net Position - September 30, 2017 | \$ 1,008,142 |

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

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

| | <u>General Fund</u> | <u>BMP #21353</u> | <u>BMP #22861</u> |
|--|-----------------------------|-----------------------------|-----------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 994,177 | \$ - | \$ 468,923 |
| Due from other funds | - | - | - |
| Due from other governments | 55,765 | - | - |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Assets | <u>\$ 1,049,942</u> | <u>\$ -</u> | <u>\$ 468,923</u> |
| | | | |
| Liabilities and Fund Balances | | | |
| Liabilities | | | |
| Due to other funds | \$ - | \$ - | \$ - |
| Refundable advances | 7,926 | - | 468,923 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities | <u>7,926</u> | <u>-</u> | <u>468,923</u> |
| | | | |
| Fund Balances | | | |
| Restricted - Lake McCoy project | 2,603 | - | - |
| Assigned: | | | |
| Lake McCoy project | 25,000 | - | - |
| Unassigned | 1,014,413 | - | - |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Fund Balances | <u>1,042,016</u> | <u>-</u> | <u>-</u> |
| | | | |
| Total Liabilities and Fund Balances | <u>\$ 1,049,942</u> | <u>\$ -</u> | <u>\$ 468,923</u> |

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

| BMP #23613 | BMP #23933 | BMP #23995 | BMP #24400 | Total Governmental Funds |
|---------------------|-------------------|---------------------|-------------------|---|
| \$ 1,097,395 | \$ - | \$ 550,000 | \$ 183,206 | \$ 3,293,701 |
| - | - | 650,000 | - | 650,000 |
| - | - | - | - | 55,765 |
| <u>\$ 1,097,395</u> | <u>\$ -</u> | <u>\$ 1,200,000</u> | <u>\$ 183,206</u> | <u>\$ 3,999,466</u> |
| | | | | |
| \$ 650,000 | \$ - | \$ - | \$ - | \$ 650,000 |
| 447,395 | - | 1,200,000 | 183,206 | 2,307,450 |
| <u>1,097,395</u> | <u>-</u> | <u>1,200,000</u> | <u>183,206</u> | <u>2,957,450</u> |
| | | | | |
| - | - | - | - | 2,603 |
| - | - | - | - | 25,000 |
| - | - | - | - | 1,014,413 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,042,016</u> |
| | | | | |
| <u>\$ 1,097,395</u> | <u>\$ -</u> | <u>\$ 1,200,000</u> | <u>\$ 183,206</u> | <u>\$ 3,999,466</u> |

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

Fund Balances - Governmental Funds \$1,042,016

Amounts reported for governmental activities in the
Statement of Net Position are different because:

Capital assets used in governmental activities are not current
financial resources and therefore are not reported in the funds.

 Capital assets, depreciable - net 21,565

Deferred outflow of resources are not financial resources and, therefore,
are not reported in the funds. 130,726

Long-term liabilities are not due and payable in the current period and,
therefore, are not reported in the funds. (176,518)

Deferred inflow of resources are not financial resources and, therefore,
are not reported in the funds. (9,647)

Net Position - Governmental Activities \$1,008,142

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

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HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | <u>General Fund</u> | <u>BMP #21353</u> | <u>BMP #22861</u> |
|--|---------------------|-------------------|-------------------|
| Revenues | | | |
| Intergovernmental revenue | \$ 305,250 | \$ 1,010,703 | \$ 2,589,455 |
| Miscellaneous income | 2,710 | - | - |
| Interest income | 5,801 | - | - |
| Total revenues | <u>313,761</u> | <u>1,010,703</u> | <u>2,589,455</u> |
| Expenditures | | | |
| Current | | | |
| General government | | | |
| General and administrative | 59,210 | - | - |
| Personal services | 318,278 | - | - |
| Physical environment | | | |
| Operating expenditures | - | 990,885 | 2,538,680 |
| Total expenditures | <u>377,488</u> | <u>990,885</u> | <u>2,538,680</u> |
| Excess (deficiency) of revenues over expenditures | <u>(63,727)</u> | <u>19,818</u> | <u>50,775</u> |
| Other financing sources (uses) | | | |
| Transfers in | 187,341 | - | - |
| Transfers out | - | (19,818) | (50,775) |
| Total other financing sources (uses) | <u>187,341</u> | <u>(19,818)</u> | <u>(50,775)</u> |
| Net change in fund balances | 123,614 | - | - |
| Fund balances - October 1, 2016 | 918,402 | - | - |
| Fund balances - September 30, 2017 | <u>\$ 1,042,016</u> | <u>\$ -</u> | <u>\$ -</u> |

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

| <u>BMP #23613</u> | <u>BMP #23933</u> | <u>BMP #23995</u> | <u>BMP #24400</u> | <u>Total Governmental Funds</u> |
|-------------------|-------------------|-------------------|-------------------|---|
| \$ 3,845,719 | \$ 750,000 | \$ 240,169 | \$ 19,294 | \$ 8,760,590 |
| - | - | - | - | 2,710 |
| - | - | - | - | 5,801 |
| <u>3,845,719</u> | <u>750,000</u> | <u>240,169</u> | <u>19,294</u> | <u>8,769,101</u> |
| - | - | - | - | 59,210 |
| - | - | - | - | 318,278 |
| <u>3,770,313</u> | <u>714,286</u> | <u>235,460</u> | <u>18,375</u> | <u>8,267,999</u> |
| <u>3,770,313</u> | <u>714,286</u> | <u>235,460</u> | <u>18,375</u> | <u>8,645,487</u> |
| <u>75,406</u> | <u>35,714</u> | <u>4,709</u> | <u>919</u> | <u>123,614</u> |
| - | - | - | - | 187,341 |
| <u>(75,406)</u> | <u>(35,714)</u> | <u>(4,709)</u> | <u>(919)</u> | <u>(187,341)</u> |
| <u>(75,406)</u> | <u>(35,714)</u> | <u>(4,709)</u> | <u>(919)</u> | <u>-</u> |
| - | - | - | - | 123,614 |
| - | - | - | - | 918,402 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,042,016</u> |

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | |
|---|-------------------|
| Net Change in Fund Balances - Governmental Funds | \$ 123,614 |
|---|-------------------|

Amounts reported for governmental activities in the Statement of Activities are different because:

| | |
|--|---------|
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in the current period. | (5,295) |
|--|---------|

| | |
|---|----------|
| 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 governmental funds. | (25,719) |
|---|----------|

| | |
|---|--------------------------------|
| Change in Net Position - Governmental Activities | <u><u>\$ 92,600</u></u> |
|---|--------------------------------|

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

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

Government-wide Financial Statements:

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

Fund Financial Statement Presentation:

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

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

GASB Statement No. 34 sets forth minimum criteria (percentage of assets, deferred outflows, liabilities, deferred inflows, revenues or expenditures/expenses) for the determination of major funds. The District has used GASB Statement No. 34 minimum criteria for major fund determination. The District has also elected to treat Funds #23933 and #24400 as major funds, although they do not meet the quantitative criteria. Major governmental funds are reported as separate columns in the fund financial statements.

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

Major Governmental Funds:

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

Producer Cost-Share Funds (#21353, #22861, #23613 #23933, #23995 and #24400) These special revenue fund account for revenues and expenditures of a grant with the Florida Department of Agriculture and Consumer Services to assist local agricultural producers with the development and engineering, design and implementation of agricultural best management practices. As of September 30, 2017, Funds #21353 and #23933 did not have any assets or liabilities.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

D. Cash and Cash Equivalents

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

E. Capital Assets

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

F. Refundable Advances

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

G. Interfund Receivables and Payables

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

H. Compensated Absences

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

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Deferred Outflows / Inflows of Resources

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

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

J. Pensions

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

K. Use of Estimates

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

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Government-wide Net Position

Government-wide net position is divided into three categories:

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

M. Governmental Fund Balances

Governmental fund balances consist of the following:

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

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

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

Transfers in and transfers out in the amount of \$187,341 and due to/from other funds in the amount of \$650,000 between governmental funds have been eliminated in the presentation of governmental activities in the statement of net position and statement of activities.

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

NOTE 3 - CASH AND INVESTMENTS

Cash and cash equivalents at September 30, 2017 consist of:

| | |
|---------------------------------|---------------------|
| Demand deposits | \$ 2,697,093 |
| Certificate of deposit | 596,608 |
| Total cash and cash equivalents | <u>\$ 3,293,701</u> |

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Florida Statutes require state and local governmental units to deposit monies with financial institutions classified as "Qualified Public Depositories." This pool is provided as additional insurance to the federal depository insurance and allows for additional assessments against the member institutions, providing full insurance for public deposits. The District's deposits were entirely covered by federal depository insurance or guaranteed by qualified public depositories in Florida pursuant to Chapter 280.07, Florida Statutes, as of September 30, 2017.

NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES:

Individual interfund receivable and payable balances at September 30, 2017, were as follows:

| | Receivable Amount | Payable Amount |
|------------|----------------------|-------------------|
| BMP #23995 | \$ 650,000 | \$ - |
| BMP #23613 | - | 650,000 |
| Totals | <u>\$ 650,000</u> | <u>\$ 650,000</u> |

The receivable of \$650,000 represents a loan from BMP#23995 for short term funding.

NOTE 5 – INTERFUND TRANSFERS:

During the year ended September 30, 2017, the District reported interfund transfers of \$187,341, from the governmental funds that administered the grants to the General Fund. This amount represents the administrative portion of grant funds earned by the District under the terms of the grant agreements.

NOTE 6 – FACILITY AND ADMINISTRATIVE ASSISTANCE

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

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017 was as follows:

| <u>Governmental Activities</u> | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|-------------------|-------------|-------------------|
| Capital assets, being depreciated: | | | | |
| Equipment | \$ 6,149 | \$ - | \$ - | \$ 6,149 |
| Vehicle | 28,458 | - | - | 28,458 |
| Less accumulated depreciation | (7,747) | (5,295) | - | (13,042) |
| Total capital assets being depreciated, net | <u>\$ 26,860</u> | <u>\$ (5,295)</u> | <u>\$ -</u> | <u>\$ 21,565</u> |

Depreciation expense for the year amounted to \$5,295.

NOTE 8 – RISK MANAGEMENT PROGRAMS

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

NOTE 9 – RETIREMENT PLAN

General Information about the Florida Retirement System

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

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

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 9 – RETIREMENT PLAN (continued)

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

The District's FRS and HIS pension expense totaled \$40,360 for the fiscal year ended September 30, 2017.

FRS Pension Plan

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

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

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

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

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

NOTE 9 – RETIREMENT PLAN (continued)

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

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

Contributions – The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2016-17 fiscal year were as follows:

| <u>Class</u> | <u>July 1, 2016</u> | | <u>July 1, 2017</u> | |
|--------------------------------|--------------------------------|---------------------|--------------------------------|---------------------|
| | <u>Percent of Gross Salary</u> | | <u>Percent of Gross Salary</u> | |
| | <u>Employee</u> | <u>Employer (1)</u> | <u>Employee</u> | <u>Employer (1)</u> |
| FRS, Regular | 3.0% | 7.52% | 3.0% | 7.92% |
| FRS, Senior Management Service | 3.0% | 21.77% | 3.0% | 22.71% |
| FRS, DROP | 0.0% | 12.99% | 0.0% | 13.26% |

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

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

The District's contributions, including employee contributions, to the Pension Plan totaled \$14,247 for the fiscal year ended September 30, 2017.

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

NOTE 9 – RETIREMENT PLAN (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2017, the District reported a liability of \$102,763 for its proportionate share of the Pension Plan’s net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The District’s proportionate share of the net pension liability was based on the District’s contributions received by FRS during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017, relative to the total employer contributions received from all participating employers. At June 30, 2017, the District's proportionate share was .000347413 percent, which was an increase of .000097611 percent from its proportionate share measured as of June 30, 2016.

For the fiscal year ended September 30, 2017, the District recognized pension expense of \$25,949. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <u>Description</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 9,431 | \$ 569 |
| Change of actuarial assumptions | 34,535 | - |
| Net difference between projected and actual earnings on Pension Plan investments | - | 2,547 |
| Changes in proportion and differences between District Pension Plan contributions and proportionate share of contributions | 31,069 | - |
| District Pension Plan contributions subsequent to the measurement date | 3,346 | - |
| Total | <u>\$ 78,381</u> | <u>\$ 3,116</u> |

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

NOTE 9 – RETIREMENT PLAN (continued)

The deferred outflows of resources related to the Pension Plan, totaling \$3,346 resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

| Year Ending September 30 | Amount |
|-----------------------------|-----------|
| 2018 | \$ 14,165 |
| 2019 | 23,005 |
| 2020 | 18,742 |
| 2021 | 6,594 |
| 2022 | 6,848 |
| Thereafter | 2,565 |

Actuarial Assumptions – The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

| | |
|---------------------------|---|
| Inflation | 2.60 % |
| Salary increases | 3.25%, average, including inflation |
| Investment rate of return | 7.10%, net of pension plan investment expense, including inflation |

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model.

The allocation policy’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption.

The target allocation, as outline in the FRS Plan’s investment policy, and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

NOTE 9 – RETIREMENT PLAN (continued)

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Annual Arithmetic Return</u> | <u>Compound Annual (Geometric) Return</u> | <u>Standard Deviation</u> |
|--------------------------|------------------------------|---|---|-------------------------------|
| Cash | 1.00% | 3.00% | 3.00% | 1.80% |
| Intermediate-Term Bonds | 18.00% | 4.50% | 4.40% | 4.20% |
| Global equity | 53.00% | 7.80% | 6.60% | 17.20% |
| Real estate | 10.00% | 6.60% | 5.90% | 12.80% |
| Private equity | 6.00% | 11.50% | 7.80% | 30.00% |
| Strategic investments | 12.00% | 6.10% | 5.60% | 9.70% |
| Total | <u><u>100.00%</u></u> | | | |
| Assumed Inflation - Mean | | | 2.6% | 1.9% |

Discount Rate - The discount rate used to measure the total pension liability was 7.10% for the FRS plan. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity - The following presents the District's proportionate share of the net pension liability for the FRS Plan, calculated using the discount rate of 7.10%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current discount rate:

| | <u>1% Decrease (6.10%)</u> | <u>Current Discount Rate (7.10%)</u> | <u>1% Increase (8.10%)</u> |
|---|--------------------------------|--|--------------------------------|
| District's proportionate share of the net pension liability | \$ 185,994 | \$ 102,762 | \$ 33,661 |

Pension Plan Fiduciary Net Position - Detailed information regarding the FRS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report. That report may be obtained through the Florida Department of Management Services website at <http://www.dms.myflorida.com>.

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 9 – RETIREMENT PLAN (continued)

HIS Plan

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

Benefits Provided – For the fiscal year ended September 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363 Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions – The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2017, the HIS contribution rate was 1.66% of payroll pursuant to Section 112.365, Florida Statutes. The District contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contribution are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The District's contributions to the HIS Plan totaled \$4,318 for the fiscal year ended September 30, 2017.

Pension Costs – At September 30, 2017, the District reported a liability of \$73,755 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation prepared as of July 1, 2016 and update procedures were used to determine the liability at June 30, 2017. The District's proportionate share of the net pension liability was based on the District's contributions received by HIS during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017, relative to the total employer contributions received from all participating employers. At June 30, 2017, the District's proportionate share was 0.000689787 percent, which was an increase of .000178295 percent from its proportionate share measured as of June 30, 2016.

For the fiscal year ended September 30, 2017, the District recognized pension expense of \$14,411. In addition, the District reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

NOTE 9 – RETIREMENT PLAN (continued)

| <u>Description</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ - | \$ 154 |
| Change of actuarial assumptions | 10,368 | 6,377 |
| Net difference between projected and actual earnings on HIS Plan investments | 41 | - |
| Changes in proportion and differences between District HIS Plan contributions and proportionate share of contributions | 40,602 | - |
| District HIS Plan contributions subsequent to the measurement date | 1,334 | - |
| Total | <u><u>\$ 52,345</u></u> | <u><u>\$ 6,531</u></u> |

The deferred outflows of resources related to the HIS Plan, totaling \$1,334 resulting from District contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized as an increase (decrease) in pension expense as follows:

| <u>Year Ending September 30</u> | <u>Amount</u> |
|-------------------------------------|---------------|
| 2018 | \$ 10,010 |
| 2019 | 10,002 |
| 2020 | 9,998 |
| 2021 | 9,699 |
| 2022 | 5,752 |
| Thereafter | (981) |

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of the valuation date of July 1, 2016 calculated based on the discount rate and actuarial assumptions below, and then was projected to the measurement date:

| | <u>June 30, 2017</u> | <u>June 30, 2016</u> |
|---------------------------------------|--------------------------|--------------------------|
| Discount rate | 3.58% | 2.58% |
| Inflation | 2.60% | 2.60% |
| Salary increases, including inflation | 3.25% | 3.25% |
| Municipal bond rate | 3.58% | 2.58% |

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

NOTE 9 – RETIREMENT PLAN (continued)

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Discount Rate - The discount rate used to measure the total pension liability was 3.58% for the HIS Plan. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The discount rate used in the 2017 valuation was updated from 2.85% to 3.58%, reflecting the change in the Bond Buyer General Obligation 20-Bond Municipal Bond Index, which was adopted as the applicable municipal bond index.

Pension Liability Sensitivity - The following represents the District’s proportionate share of the net pension liability for the HIS Plan calculated using the discount rate of 3.58%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower (2.58%) or one percentage point higher (4.58%) than the current discount rate:

| | 1% Decrease (2.58%) | Current Discount Rate (3.58%) | 1% Increase (4.58%) |
|--|------------------------|-------------------------------------|------------------------|
| District's proportionate share of the net pension liability | \$ 84,164 | \$ 73,755 | \$ 65,085 |

Pension Plan Fiduciary Net Position - Detailed information regarding the HIS Plan’s fiduciary net position is available in a separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report. That report may be obtained through the Florida Department of Management Services’ website at <http://www.dms.myflorida.com>.

NOTE 10 – ECONOMIC DEPENDENCY

Contracts with the State of Florida Department of Agriculture and Consumer Services represent 99.8% of total revenues recognized by the District. A majority, or 96.4%, of these revenues are from contracts that are administered and paid to local agriculture producers for implementation of agriculture best management practices. The District receives an administrative fee between 2% and 5% on contracts of this nature, and future revenues, at the current fiscal year’s level, are dependent on the District receiving these contracts in the future. However, management believes the District would remain in existence if the funding ceased from this source.

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 11 – FUND BALANCE RESTRICTIONS AND ASSIGNMENTS

Restriction and assignment of General Fund fund balance at September 30, 2017 are summarized below:

Lake McCoy project – The restriction for the Lake McCoy drainage project was created to restrict the use of resources contributed to the drainage improvement project. In addition, the Board has assigned \$25,000 to the project.

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(UNAUDITED)

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|----------------------------|----------------------------|----------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Intergovernmental revenue | \$ 306,120 | \$ 460,463 | \$ 305,250 | \$ (155,213) |
| Miscellaneous | 28,940 | 3,005 | 2,710 | (295) |
| Interest revenue | 2,500 | 5,801 | 5,801 | - |
| Total revenues | <u>337,560</u> | <u>469,269</u> | <u>313,761</u> | <u>(155,508)</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | | | | |
| General and administrative | 109,045 | 59,244 | 59,210 | 34 |
| Personal services | <u>355,850</u> | <u>318,278</u> | <u>318,278</u> | - |
| Total expenditures | <u>464,895</u> | <u>377,522</u> | <u>377,488</u> | <u>34</u> |
| Excess (deficiency) of revenues over expenditures | <u>(127,335)</u> | <u>91,747</u> | <u>(63,727)</u> | <u>(155,474)</u> |
| Other financing sources | | | | |
| Transfers in | <u>290,735</u> | <u>197,637</u> | <u>187,341</u> | <u>(10,296)</u> |
| Total other financing sources | <u>290,735</u> | <u>197,637</u> | <u>187,341</u> | <u>(10,296)</u> |
| Net change in fund balance | 163,400 | 289,384 | 123,614 | (165,770) |
| Fund balances - October 1, 2016 | <u>918,402</u> | <u>918,402</u> | <u>918,402</u> | - |
| Fund balances - September 30, 2017 | <u><u>\$ 1,081,802</u></u> | <u><u>\$ 1,207,786</u></u> | <u><u>\$ 1,042,016</u></u> | <u><u>\$ (165,770)</u></u> |

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

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
BUDGETARY COMPARISON SCHEDULE – BMP #21353
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(UNAUDITED)

| | Budget | | Actual | Variance Favorable (Unfavorable) |
|--|------------------|------------------|------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental revenue | \$1,024,666 | \$1,024,666 | \$1,010,703 | \$ (13,963) |
| Total revenues | <u>1,024,666</u> | <u>1,024,666</u> | <u>1,010,703</u> | <u>(13,963)</u> |
| Expenditures | | | | |
| Physical environment | | | | |
| Operating expenditures | 1,004,264 | 1,004,264 | 990,885 | 13,379 |
| Total expenditures | <u>1,004,264</u> | <u>1,004,264</u> | <u>990,885</u> | <u>13,379</u> |
| Excess (deficiency) of revenues over expenditures | <u>20,402</u> | <u>20,402</u> | <u>19,818</u> | <u>(584)</u> |
| Other financing sources (uses) | | | | |
| Transfers out | (20,402) | (20,402) | (19,818) | 584 |
| Total other financing sources (uses) | <u>(20,402)</u> | <u>(20,402)</u> | <u>(19,818)</u> | <u>584</u> |
| Net change in fund balance | - | - | - | - |
| Fund balances - October 1, 2016 | - | - | - | - |
| Fund balances - September 30, 2017 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
BUDGETARY COMPARISON SCHEDULE – BMP #22861
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(UNAUDITED)

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Intergovernmental revenue | \$2,704,539 | \$2,704,539 | \$2,589,455 | \$ (115,084) |
| Total revenues | <u>2,704,539</u> | <u>2,704,539</u> | <u>2,589,455</u> | <u>(115,084)</u> |
| Expenditures | | | | |
| Physical environment | | | | |
| Operating expenditures | 2,651,507 | 2,651,507 | 2,538,680 | 112,827 |
| Total expenditures | <u>2,651,507</u> | <u>2,651,507</u> | <u>2,538,680</u> | <u>112,827</u> |
| Excess (deficiency) of revenues over expenditures | <u>53,032</u> | <u>53,032</u> | <u>50,775</u> | <u>(2,257)</u> |
| Other financing sources (uses) | | | | |
| Transfers out | (53,032) | (53,032) | (50,775) | 2,257 |
| Total other financing sources (uses) | <u>(53,032)</u> | <u>(53,032)</u> | <u>(50,775)</u> | <u>2,257</u> |
| Net change in fund balance | - | - | - | - |
| Fund balances - October 1, 2016 | - | - | - | - |
| Fund balances - September 30, 2017 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
BUDGETARY COMPARISON SCHEDULE – BMP #23613
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(UNAUDITED)

| | Budget | | Actual | Variance Favorable (Unfavorable) |
|--|------------------|------------------|------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental revenue | \$5,500,000 | \$3,863,004 | \$3,845,719 | \$ (17,285) |
| Total revenues | <u>5,500,000</u> | <u>3,863,004</u> | <u>3,845,719</u> | <u>(17,285)</u> |
| Expenditures | | | | |
| Physical environment | | | | |
| Operating expenditures | 5,390,000 | 3,787,259 | 3,770,313 | 16,946 |
| Total expenditures | <u>5,390,000</u> | <u>3,787,259</u> | <u>3,770,313</u> | <u>16,946</u> |
| Excess (deficiency) of revenues over expenditures | <u>110,000</u> | <u>75,745</u> | <u>75,406</u> | <u>(339)</u> |
| Other financing sources (uses) | | | | |
| Transfers out | (110,000) | (75,199) | (75,406) | (207) |
| Total other financing sources (uses) | <u>(110,000)</u> | <u>(75,199)</u> | <u>(75,406)</u> | <u>(207)</u> |
| Net change in fund balance | - | 546 | - | (546) |
| Fund balances - October 1, 2016 | - | - | - | - |
| Fund balances - September 30, 2017 | <u>\$ -</u> | <u>\$ 546</u> | <u>\$ -</u> | <u>\$ (546)</u> |

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

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
BUDGETARY COMPARISON SCHEDULE – BMP #23933
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(UNAUDITED)

| | Budget | | Actual | Variance Favorable (Unfavorable) |
|--|-----------------|-----------------|-----------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental revenue | \$ 900,000 | \$ 750,000 | \$ 750,000 | \$ - |
| Total revenues | <u>900,000</u> | <u>750,000</u> | <u>750,000</u> | <u>-</u> |
| Expenditures | | | | |
| Physical environment | | | | |
| Operating expenditures | 855,000 | 714,286 | 714,286 | - |
| Total expenditures | <u>855,000</u> | <u>714,286</u> | <u>714,286</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | <u>45,000</u> | <u>35,714</u> | <u>35,714</u> | <u>-</u> |
| Other financing sources (uses) | | | | |
| Transfers out | (45,000) | (35,714) | (35,714) | - |
| Total other financing sources (uses) | <u>(45,000)</u> | <u>(35,714)</u> | <u>(35,714)</u> | <u>-</u> |
| Net change in fund balance | - | - | - | - |
| Fund balances - October 1, 2016 | - | - | - | - |
| Fund balances - September 30, 2017 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
BUDGETARY COMPARISON SCHEDULE – BMP #23995
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(UNAUDITED)

| | Budget | | Actual | Variance Favorable (Unfavorable) |
|--|------------------|-------------------|----------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental revenue | \$2,578,535 | \$ 240,169 | \$ 240,169 | \$ - |
| Total revenues | <u>2,578,535</u> | <u>240,169</u> | <u>240,169</u> | <u>-</u> |
| Expenditures | | | | |
| Physical environment | | | | |
| Operating expenditures | 2,526,614 | 235,460 | 235,460 | - |
| Total expenditures | <u>2,526,614</u> | <u>235,460</u> | <u>235,460</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | <u>51,921</u> | <u>4,709</u> | <u>4,709</u> | <u>-</u> |
| Other financing sources (uses) | | | | |
| Transfers out | (51,921) | (5,834) | (4,709) | 1,125 |
| Total other financing sources (uses) | <u>(51,921)</u> | <u>(5,834)</u> | <u>(4,709)</u> | <u>1,125</u> |
| Net change in fund balance | - | (1,125) | - | 1,125 |
| Fund balances - October 1, 2016 | - | - | - | - |
| Fund balances - September 30, 2017 | <u>\$ -</u> | <u>\$ (1,125)</u> | <u>\$ -</u> | <u>\$ 1,125</u> |

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

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
BUDGETARY COMPARISON SCHEDULE – BMP #24400
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(UNAUDITED)

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|-----------------|---------------|---------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Intergovernmental revenue | \$ - | \$ 19,294 | \$ 19,294 | \$ - |
| Total revenues | <u>-</u> | <u>19,294</u> | <u>19,294</u> | <u>-</u> |
| Expenditures | | | | |
| Physical environment | | | | |
| Operating expenditures | - | 18,375 | 18,375 | - |
| Total expenditures | <u>-</u> | <u>18,375</u> | <u>18,375</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | <u>-</u> | <u>919</u> | <u>919</u> | <u>-</u> |
| Other financing sources (uses) | | | | |
| Transfers out | - | (919) | (919) | - |
| Total other financing sources (uses) | <u>-</u> | <u>(919)</u> | <u>(919)</u> | <u>-</u> |
| Net change in fund balance | - | - | - | - |
| Fund balances - October 1, 2016 | - | - | - | - |
| Fund balances - September 30, 2017 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
NOTES TO BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(UNAUDITED)

NOTE 1 – BUDGETARY INFORMATION

Budgets are prepared and adopted annually for the General Fund and each Special Revenue Fund in accordance with procedures and time intervals prescribed by Florida Statute 189.418(3). Accordingly, the Board adopted an annual budget for the General and Special Revenue Funds for the fiscal year ended September 30, 2017. The District is not required to submit its budget to any regulatory agencies.

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

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
SUPPLEMENTAL FLORIDA RETIREMENT SYSTEM PENSION INFORMATION
SEPTEMBER 30,
(UNAUDITED)

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|--------------|--------------|--------------|--------------|
| District's proportion of the net pension liability* | 0.000347413% | 0.000249802% | 0.000246059% | 0.000114802% |
| District's proportionate share of the net pension liability* | \$ 102,763 | \$ 63,075 | \$ 31,782 | \$ 7,005 |
| District's covered payroll* | \$ 219,880 | \$ 164,672 | \$ 144,329 | \$ 92,945 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 46.74% | 38.30% | 22.02% | 7.54% |
| Plan fiduciary net position as a percentage of the total pension liability | 83.89% | 84.88% | 92.00% | 96.09% |

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

*Note: Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.*

See Independent Auditor's Report.

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
SUPPLEMENTAL FLORIDA RETIREMENT SYSTEM PENSION INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30,
(UNAUDITED)

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|---------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 14,247 | \$ 7,030 | \$ 7,534 | \$ 4,075 |
| Contributions in relation to the contractually required contribution | <u>14,247</u> | <u>7,030</u> | <u>7,534</u> | <u>4,075</u> |
| Contributions deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered-employee payroll | \$ 260,114 | \$ 160,261 | \$ 158,679 | \$ 103,684 |
| Contributions as a percentage of covered-employee payroll | 5.48% | 4.39% | 4.75% | 3.93% |

*Note: Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.*

See Independent Auditor's Report.

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
SUPPLEMENTAL HEALTH INSURANCE SUBSIDY PENSION INFORMATION
SEPTEMBER 30,
(UNAUDITED)

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|--------------|--------------|--------------|--------------|
| District's proportion of the net pension liability* | 0.000689787% | 0.000511492% | 0.000464380% | 0.000153128% |
| District's proportionate share of the net pension liability* | \$ 73,755 | \$ 59,612 | \$ 47,359 | \$ 14,318 |
| District's covered payroll* | \$ 219,880 | \$ 164,672 | \$ 144,329 | \$ 92,945 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 33.54% | 36.20% | 32.81% | 15.40% |
| Plan fiduciary net position as a percentage of the total pension liability | 1.64% | 0.97% | 8.20% | 7.65% |

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

*Note: Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.*

See Independent Auditor's Report.

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

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|----------------|----------------|----------------|----------------|
| Contractually required contribution | \$ 4,318 | \$ 2,692 | \$ 1,936 | \$ 1,265 |
| Contributions in relation to the contractually required contribution | <u>4,318</u> | <u>2,692</u> | <u>1,936</u> | <u>1,265</u> |
| Contributions deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered-employee payroll | \$ 260,114 | \$ 160,261 | \$ 158,679 | \$ 103,684 |
| Contributions as a percentage of covered-employee payroll | 1.66% | 1.68% | 1.22% | 1.22% |

*Note: Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.*

See Independent Auditor's Report.

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

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Charles F. Wicks, C.P.A. (1911 - 1996)
J. Richard Brown, C.P.A. (1940 - 1997)
W. Bruce Stratton, C.P.A., Retired
Cheryl M. Williams, C.P.A., P.A.
C. Mark Cox, C.P.A., P.A.
John W. Davis, C.P.A., P.A.
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Highlands Soil and Water Conservation District (the "District"), Sebring, Florida, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 22, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency, Finding 2017-001.

Compliance and Other Matters

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

Highlands Soil and Water Conservation District, Sebring, Florida's Response to Findings

Highlands Soil and Water Conservation District (the "District"), Sebring, Florida's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

June 22, 2018

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

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

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

Report on Compliance for Each Major State Project

We have audited the Highlands Soil and Water Conservation District, (the "District"), Sebring, Florida's compliance with the types of compliance requirements described in the Department of Financial Services' *State Projects Compliance Supplement*, that could have a direct and material effect on each of the District's major State projects for the year ended September 30, 2017. The District's major State projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs – State Projects.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major State projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General. Those standards and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State project occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State project. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major State Project

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State projects for the year ended September 30, 2017.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State project and to test and report on internal control over compliance in accordance with Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

June 22, 2018

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2017

| State Agency / State Project | CSFA Number | Grant/Contract Number | Expenditures |
|---|----------------|--------------------------|-----------------------------------|
| <u>State Agency:</u> | | | |
| Department of Agriculture and Consumer Services: | | | |
| Water Policy Best Management Practices - Cost Share | | | |
| MIL | 42.017 | 23947 | \$ 120,209 |
| MIL | 42.017 | 24350 | 34,768 |
| Technician | 42.017 | 23423 | 99,580 |
| Technician | 42.017 | 24323 | 37,414 |
| BMP | 42.017 | 21353 | 1,010,703 |
| BMP | 42.017 | 22861 | 2,589,455 |
| BMP | 42.017 | 23613 | 3,845,719 |
| BMP | 42.017 | 23933 | 750,000 |
| BMP | 42.017 | 23995 | 240,169 |
| BMP | 42.017 | 24400 | 19,294 |
| Total State Financial Assistance | | | <u><u>\$ 8,747,311</u></u> |

See Independent Auditor's Report and notes to schedule

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 1 – BASIS OF PRESENTATION

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

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONS COSTS – STATE PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Section I. Summary of Auditor's Results

Financial Statements:

| | | |
|--|---------------------------|---------------------|
| Type of auditor's report issued: | <u>Unmodified opinion</u> | |
| Internal control over financial reporting: | | |
| Material weaknesses identified | _____ Yes | <u> X </u> No |
| Significant deficiencies identified | <u> X </u> Yes | _____ None reported |
| Noncompliance material to financial statements noted | _____ Yes | <u> X </u> No |

State Financial Assistance:

| | | |
|---|-----------|--------------------------|
| Internal control over each major State project: | | |
| Material weaknesses identified | _____ Yes | <u> X </u> No |
| Significant deficiencies identified | _____ Yes | <u> X </u> None reported |

| | |
|---|---------------------------|
| Type of auditor's report issued on compliance for major State projects: | <u>Unmodified opinion</u> |
|---|---------------------------|

| | | |
|---|-----------|--------------------------|
| Any audit findings which are required to be reported under Chapter 10.557, Rules of the Auditor General | _____ Yes | <u> X </u> None reported |
|---|-----------|--------------------------|

Identification of major State projects:

CSFA Number(s), Name of Program

42.017, Water Policy Best Management Practices Cost Share

| | |
|--|---------------------|
| Dollar threshold used to distinguish between Type A and Type B for State projects: | <u> \$ 300,000 </u> |
|--|---------------------|

Section II. Findings – Financial Statements:

2017-001: Reversing Prior Year Grant Accruals

Condition: The accruals for grant projects recorded during the prior year closing were not reversed at the beginning of the next year, which required adjustments to reduce the amount of receivables, payables, revenues and expenditures.

Criteria or specific requirement: Under generally accepted accounting principles for governmental funds, revenues are recognized in the period when earned and available and expenditures are recognized in the period when a liability is incurred.

Context: Testing of receivable and payable balances detected the errors.

Effect: Not reversing prior year balance sheet accruals for grant project at the beginning of the next year resulted in overstating receivables, liabilities, revenues and expenditures for the current year.

HIGHLANDS SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONS COSTS – STATE PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Section II. Findings – Financial Statements (continued):

Cause: The District did not review year end balance sheet accounts for accuracy.

Recommendation: In addition to reconciling the activity of the grant project tracking sheets to the general ledger, the corresponding balance sheet accounts need to be reconciled as well.

View of Responsible Officials: Management agrees with the finding and will review general ledger balances to ensure the accuracy of balances at year end.

Part III. Findings and Questioned Costs – Major State Projects

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

Part IV. Other Issues

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

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MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the Highlands Soil and Water Conservation District, Sebring, Florida, (the "District") as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated June 22, 2018.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major State Project and on Internal Control over Compliance Required by Chapter 10.550 Rules of the Florida Auditor General, and Schedule of Findings and Questioned Costs - State Projects; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 22, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been take to address finding and recommendations made in the preceding financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. See Note 1 to the Financial Statement.

Financial Condition and Management

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

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

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

Purpose of this Letter

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

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

June 22, 2018

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

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the Highlands Soil and Water Conservation District's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the fiscal year ended September 30, 2017. Management is responsible for the Highlands Soil and Water Conservation District's compliance with those requirements. Our responsibility is to express an opinion on the Highlands Soil and Water Conservation District's compliance based on our examination.

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

Our examination does not provide a legal determination on the Highlands Soil and Water Conservation District's compliance with specified requirements.

In our opinion, the Highlands Soil and Water Conservation District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

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

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

June 22, 2018