

# **Financial Report**

**September 30, 2018**

**Valencia Water  
Control District**

VALENCIA WATER CONTROL DISTRICT

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Year Ended September 30, 2018

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
*Valencia Water Control District*

### Report on the Financial Statements

We have audited the accompanying basic financial statements of the business-type activities of *Valencia Water Control District* (the "District"), as of and for the year ended September 30, 2018, 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

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 of 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of September 30, 2018, and the respective changes in financial position and cash flows thereof, 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 starting on page 3, 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated June 27, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*McDiernit Davis & Company, LLC*

Orlando, Florida  
June 27, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of *Valencia Water Control District* (the "District") financial accomplishments provide an overview of the District's financial activities for the year ended September 30, 2018. Please read it in conjunction with the District's Independent Auditor's Report, financial statements and accompanying notes.

This information is being presented to provide additional information regarding the activities of the District and to meet the disclosure requirements of Government Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued June 1999.

### Financial Highlights

- The assets of the District exceeded its liabilities at September 30, 2018 by \$1,253,610, an increase in net position of \$95,960 in comparison with the prior year.
- At September 30, 2018, the District ended the year with cash and cash equivalents of \$290,737.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to *Valencia Water Control District's* financial statements. The District's financial statements comprise two components: 1) basic financial statements and 2) notes to financial statements.

### 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has one fund category: Proprietary Fund.

**Proprietary Funds** - The District maintains one type of proprietary fund: enterprise. The District maintains one enterprise fund. An enterprise fund is used to report the same functions presented as *business-type activities* in the financial statements. The District uses an enterprise fund to account for the operations of the water control services within the District. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

### Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**Condensed Financial Analysis**

Statement of Net Position - The District's net position was \$1,253,610 at September 30, 2018. The following analysis focuses on the net position of the District's financial activities.

Valencia Water Control District  
Statement of Net Position

	<b>Business-Type Activities</b>	
	<b>2018</b>	<b>2017</b>
<b>Assets:</b>		
Current and other assets	\$ 509,101	421,659
Capital assets, net	759,904	769,379
Total assets	1,269,005	1,191,038
<b>Liabilities:</b>		
Current liabilities	15,395	33,388
Total liabilities	15,395	33,388
<b>Net Position:</b>		
Investment in capital assets	759,904	769,379
Unrestricted	493,706	388,271
Total net position	\$ 1,253,610	\$ 1,157,650

The following is a summary of the District's financial activities for the fiscal years ended September 30, 2018 and 2017.

Changes in Net Position  
Year ended September 30,

	<b>Business-Type Activities</b>	
	<b>2018</b>	<b>2017</b>
<b>Revenues:</b>		
Program revenues:		
Assessments for services	\$ 496,903	\$ 454,295
General revenues:		
Investment earnings	2,708	163
Total revenues	499,611	454,458
<b>Expenses:</b>		
Business - type activities:		
Water control	403,651	451,204
Total expenses	403,651	451,204
<b>Increase (Decrease) in Net Position</b>	95,960	3,254
<b>Net Position - beginning</b>	1,157,650	1,154,396
<b>Net Position - ending</b>	\$ 1,253,610	\$ 1,157,650

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Business-Type Activities

The cost of the business-type activities was \$403,651, a 10.5% decrease from the prior year. The costs of those activities were paid for by assessments for services, which accounted for 99.5% of total business-type revenues. Assessments for services increased \$42,608 from the prior year.

### Financial Analysis of the Government's Fund

Proprietary Fund - The District's Water Control Fund reported operating income of \$93,252, which is an increase of \$90,161 from the previous year. Of the total net position in the amount of \$1,253,610, \$759,904 is invested in capital assets.

### Capital Asset Activity

**Capital Assets** - At September 30, 2018, the District had \$759,904 invested in capital assets, net of accumulated depreciation. More detailed information about the District's capital assets is presented in the notes to the financial statements.

	Business-Type Activities	
	2018	2017
Land	\$ 700,120	\$ 700,120
Ponds and Canals	4,134,227	4,134,227
Water Control Structures	672,531	672,531
Equipment	12,767	12,767
Accumulated Depreciation	(4,759,741)	(4,750,266)
Total	<u>\$ 759,904</u>	<u>\$ 769,379</u>

### Capital Debt Activity

**Capital Debt** - At September 30, 2018, the District has no long-term debt.

### Economic Factors and Next Year's Budget

It is difficult to predict what significant effect the current economic condition will have on the financial position or results of operations of the District in fiscal year 2018.

### Requests for Information

If you have questions about this report or need additional financial information, contact *Valencia Water Control District's* Finance Department at 9145 Narcoossee Road, Suite A206, Orlando, Florida 32827.

## **FINANCIAL STATEMENTS**



VALENCIA WATER CONTROL DISTRICT

**STATEMENT OF NET POSITION**

September 30, 2018

	<b><u>Enterprise Fund</u></b>
	<b><u>Water Control</u></b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 290,737
Investments	202,591
Accounts receivable, net	4,773
Prepaid expenses and deposits	11,000
Total current assets	<u>509,101</u>
Noncurrent assets:	
Capital Assets:	
Land	700,120
Infrastructure and equipment	4,819,525
Less accumulated depreciation	<u>(4,759,741)</u>
Total noncurrent assets	<u>759,904</u>
Total assets	<u>1,269,005</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable and accrued expenses	15,395
Total liabilities	<u>15,395</u>
<b>NET POSITION</b>	
Investment in capital assets	759,904
Unrestricted	493,706
Total net position	<u>\$ 1,253,610</u>

VALENCIA WATER CONTROL DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

Year Ended September 30, 2018

	<u>Enterprise Fund</u>
	<u>Water Control</u>
<b>REVENUES</b>	
Charges for Services	\$ 496,903
Total operating revenues	<u>496,903</u>
 <b>OPERATING EXPENSES</b>	
Salaries and Benefits	31,293
Property Maintenance	280,687
Other Supplies and Expenses	82,196
Depreciation	9,475
Total Operating Expenses	<u>403,651</u>
 Operating income (loss)	<u>93,252</u>
 <b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest and Investment Revenue	<u>2,708</u>
Income (loss)	95,960
Total Net Position - beginning	1,157,650
Total Net Position - ending	<u>\$ 1,253,610</u>

VALENCIA WATER CONTROL DISTRICT

**STATEMENT OF CASH FLOWS**

Year Ended September 30, 2018

	<b>Water Control</b>
<b>Cash Flows from Operating Activities:</b>	
Receipts from customers and users	\$ 495,255
Payments to suppliers of goods and services	(411,669)
Net cash provided by operating activities	<u>83,586</u>
<b>Cash Flows from Investing Activities:</b>	
Interest earnings	117
Sale (Purchase) of Investments	(200,000)
Net cash provided by investing activities	<u>(199,883)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	(116,297)
<b>Cash and Cash Equivalents - beginning</b>	<u>407,034</u>
<b>Cash and Cash Equivalents - ending</b>	<u><u>\$ 290,737</u></u>
<b>Classified As:</b>	
Cash and cash equivalents	\$ 290,737
Total	<u><u>\$ 290,737</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided By Operating Activities</b>	
Operating income	<u>\$ 93,252</u>
<b>Adjustments Not Affecting Cash:</b>	
Depreciation and amortization	9,475
<b>Change in Assets and Liabilities:</b>	
(Increase) Decrease in accounts receivable	(1,648)
(Increase) Decrease in prepaids	500
Increase (Decrease) in accounts payable	(17,993)
Total adjustments	<u>(9,666)</u>
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 83,586</u></u>

**NOTES TO FINANCIAL STATEMENTS**

VALENCIA WATER CONTROL DISTRICT

**NOTES TO FINANCIAL STATEMENTS**

Year Ended September 30, 2018

**Note 1 - Summary of Significant Accounting Policies:**

**Reporting Entity**

*Valencia Water Control District*, (the "District") was established in May 1970 by Orange County, Florida under the authority of Chapters 298 and 72-291, Florida Statutes. The District was established for the purpose of storm water run-off that will minimize water pollution and maintain groundwater tables for the benefit of the landowners. In order to achieve these goals, several miles of canals, bridges, control structures, and other appurtenances have been constructed.

The District is governed by the Board of Supervisors (the "Board"), which is composed of five members. At present, the Supervisors are elected to a five-year term. Their length of service is staggered so that one supervisor is elected or re-elected by the landowners at the Annual landowners Meeting held in June each year. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 298, Florida Statutes.

The Board has the final responsibility for, among other things:

1. Allocating and levying assessments.
2. Approving budgets.
3. Exercising control over facilities and properties.
4. Controlling the use of funds generated by the District.
5. Approving the hiring and firing of key personnel.
6. Financing improvements.

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statements 14, 39, and 61. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District Board of Supervisors is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

VALENCIA WATER CONTROL DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2018

**Note 1 - Summary of Significant Accounting Policies (Continued):**

**Basic Financial Statements**

Separate financial statements are provided for proprietary funds. The District's enterprise fund is reported in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The enterprise fund 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. Assessments are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Assessments, are non-ad valorem assessments imposed on all lands located within the District and benefited by the District's activities. The assessments are levied by the District prior to the start of the fiscal year which begins October 1st and ends on September 30th. These assessments are imposed upon all benefited lands located in the District.

Assessments and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

The District reports the following major proprietary fund:

**Water Control Fund** - This enterprise fund is used to account for the operations of the water control services within the District. The costs of providing services to the residents are recovered primarily through user assessments.

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

VALENCIA WATER CONTROL DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2018

**Note 1 - Summary of Significant Accounting Policies (Continued):**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position**

**Deposits and Investments** - The District's cash and cash equivalents are considered to be cash on hand and demand deposits.

Investments of the District are reported at fair value and are categorized within the fair value hierarchy established in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. The District's investments consist of investments authorized in accordance with Section 218.415, Florida Statutes.

**Inventories** - Inventories are valued at cost which approximates market value using the first-in, first-out (FIFO) method.

**Prepaid Items** - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Receivables** - Accounts receivable and assessments receivable are shown net of an allowance for uncollectible amounts.

**Capital Assets** - Capital assets, which include property, storm water improvements, equipment and infrastructure assets (e.g., drainage system, storm water system, and similar items), are reported in the applicable financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

VALENCIA WATER CONTROL DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2018

**Note 1 - Summary of Significant Accounting Policies (Continued):**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position (Continued):**

**Capital Assets (Continued)** - Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Canals and Ponds	25
Water Control Structures	15 - 25
Furniture and Equipment	5 - 10

**Deferred Outflows/Inflows of Resources** - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any item that qualifies for reporting in this category for the year ended September 30, 2018.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District does not have any item that qualifies for reporting in this category for the year ended September 30, 2018.

**Net Position Flow Assumption** - Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted- net position and unrestricted- net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted-net position is applied.

**Other Disclosures**

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



VALENCIA WATER CONTROL DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2018

**Note 2 - Deposits and Investments:**

**Deposits**

The District's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

**Investments**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The District uses a market approach in measuring fair value that uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities, or groups of assets and liabilities.

Assets or liabilities are classified into one of three levels. Level 1 is the most reliable and is based on quoted prices for identical assets, or liabilities, in an active market. Level 2 uses significant other observable inputs when obtaining quoted prices for identical or similar assets, or liabilities, in markets that are not active. Level 3 is the least reliable, and uses significant unobservable inputs that use the best information available under the circumstances, which includes the District's own data in measuring unobservable inputs.

Investments held in the State Board of Administration Fund Florida Prime (SBA) consist of short-term federal agency obligations, treasury bills, repurchase agreements and commercial paper. The SBA is not a registrant with the Securities and Exchange Commission (SEC); however, the SBA has adopted operating procedures consistent with the requirements of a 2a-7 like pool for its fund and the fair value of the position in the pool is equal to the fair value of the statements. Investment income is recognized as earned and is allocated to the participating funds based on their equity participation.

VALENCIA WATER CONTROL DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2018

**Note 2 - Deposits and Investments:**

**Investments (Continued):**

Investments made by the District as of September 30, 2018 are summarized below. In accordance with GASB Statement No. 31, investments are reported at fair value, except for the investment in the SBA, which is carried at amortized cost and approximates fair value.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity</u>
Florida Prime	\$ 202,591	AAAm	33 days

The District's investment policies are governed by State Statutes. The District investment policy allows investments in any financial institution that is a qualified public depository of the State of Florida as identified by the State Treasurer, in accordance with Chapter 280 of the Florida Statutes. Authorized District investments include, but are not limited to:

1. The Local Government Surplus Funds Trust Fund (SBA);
2. Securities and Exchange Commission Registered Money Market Funds with the highest credit quality rating from a nationally recognized rating agency;
3. Interest-bearing time deposits or savings accounts in qualified public depositories;
4. Direct obligations of the U.S. Treasury.

Credit Risk:

The District's investment policy limits credit risk by restricting authorized investments to those described. Investments in U.S. Government securities and agencies must be backed by the full faith and credit of the United States Government. Short-term bond funds shall be rated by a nationally recognized ratings agency and shall maintain the highest credit quality rating.

Custodial Credit Risk:

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2018, all of the District's bank deposits were in qualified public depositories.

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2018, none of the investments listed are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

VALENCIA WATER CONTROL DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2018

**Note 2 - Deposits and Investments:**

**Investments (Continued):**

Concentration of Credit Risk:

The District's investment policy does not specify limits on the amount the District may invest in any one issuer.

Interest Rate Risk:

The District's investment policy does not specifically address interest rate risk; however, the general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments. The District manages its exposure to declines in fair values by investing primarily in pooled investments that have a weighted average maturity of less than three months.

**Note 3 - Capital Assets:**

The following is a summary of changes in capital assets for the year ended September 30, 2018:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
<b>Business-type Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ 700,120	\$ -	\$ -	\$ 700,120
Total capital assets, not being depreciated	<u>700,120</u>	<u>-</u>	<u>-</u>	<u>700,120</u>
Capital Assets Being Depreciated:				
Canals	2,888,690	-	-	2,888,690
Ponds	1,245,537	-	-	1,245,537
Water control structures	672,531	-	-	672,531
Furniture and equipment	12,767	-	-	12,767
Total capital assets, being depreciated	<u>4,819,525</u>	<u>-</u>	<u>-</u>	<u>4,819,525</u>
Less accumulated depreciation for:				
Canals	(2,888,690)	-	-	(2,888,690)
Ponds	(1,220,336)	(3,601)	-	(1,223,937)
Water control structures	(628,952)	(5,395)	-	(634,347)
Furniture and equipment	(12,288)	(479)	-	(12,767)
Total accumulated depreciation	<u>(4,750,266)</u>	<u>(9,475)</u>	<u>-</u>	<u>(4,759,741)</u>
Total capital assets being depreciated, net	<u>69,259</u>	<u>(9,475)</u>	<u>-</u>	<u>59,784</u>
Business-type activities capital assets, net	<u>\$ 769,379</u>	<u>\$ (9,475)</u>	<u>\$ -</u>	<u>\$ 759,904</u>

VALENCIA WATER CONTROL DISTRICT

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2018

**Note 4 - Operating Lease:**

The District leases its facilities under an operating lease expiring September 30, 2021. The terms of the lease require monthly rent payments of \$1,082. Total rental expense under the operating lease was \$12,650 for the year ended September 30, 2018.

**Note 5 - Deferred Compensation Plan:**

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their compensation until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan and its assets are managed by an outside party.

Because the Plan Assets are held in trust for the exclusive benefit of plan participants and their beneficiaries, the Plan is not accounted for in the District's financial statements.

**Note 6 - Management Company:**

District Operations

The District has contracted with a management company ("GMS") to perform management services, which include financial and accounting services. Certain employees of GMS also serve as officers (Board appointed non-voting positions) of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting and other administrative costs.

**Note 7 - Risk Management:**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance from independent third parties. The District has not filed any claims under this commercial coverage during the last three years.

**COMPLIANCE SECTION**

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

To the Board of Supervisors  
*Valencia Water Control District*

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of *Valencia Water Control District* (the “District”) as of and for the year ended September 30, 2018, which collectively comprise the District’s financial statements and have issued our report thereon dated June 27, 2019.

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 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free 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 statement 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*.

## 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*McDiernit Davis & Company, LLC*

Orlando, Florida  
June 27, 2019

## MANAGEMENT COMMENTS

Board of Supervisors  
*Valencia Water Control District*

We have audited the financial statements of *Valencia Water Control District* (the “District”), as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated June 27, 2019.

### **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 Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Auditor’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 these reports, which are dated June 27, 2019, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

Section 10.554(1)(i)1., Rules of the Auditor General, require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no such findings in the preceding annual 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. This information has been disclosed in the notes to the financial statements.



## **Financial Condition and Management**

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires 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 the review of financial information provided by same.

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

## **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, Federal 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.

*McDiernit Davis & Company, LLC*

Orlando, Florida  
June 27, 2019

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

To the Board of Supervisors  
*Valencia Water Control District*

We have examined *the Valencia Water Control District's* (the "District") compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2018. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards issued by the Comptroller General of the United States*, and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.

*MCDIRMIT DAVIS & COMPANY, LLC*

Orlando, Florida  
June 27, 2019