



**Hillsborough Soil and Water Conservation District**

**Audited Financial Statements Presentation  
Year Ended September 30, 2024**

# Introduction

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

We are pleased to have the opportunity to meet with you on **January 10, 2025**, to discuss the results of our audit of the financial statements of the **Hillsborough Soil and Water Conservation District (the "District")** as of and for the year ended **September 30, 2024**. Our audit was conducted in accordance with the terms established in the audit engagement letter dated **November 1, 2024**.

We are providing this document in advance of our meeting to enable you to consider the status of the prior years findings to enhance the quality of our discussions. We will be pleased to elaborate on the matters covered in this document when we meet.

Our audit is complete, and we have issued our audit report on the **District's** financial statements for the year ended **September 30, 2024**, on **December 9, 2024**.

# Contents

- Audit results, required communications, and other matters summary
- Supplemental slides supporting required communications and other matters
- Responsibilities

# Audit results, required communications, and other matters summary

Communication Topic	Response
<p><b>Scope of audit</b></p>	<p>Our audit of the financial statements of Hillsborough Soil and Water Conservation District (the “District”) as of and for the year ended <b>September 30, 2024</b>, was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in <i>Government Auditing Standards</i>, issued by the Comptroller General of the United States; Title 2 U.S. <i>Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i>; and Chapter 10.550, <i>Rules of the Auditor General</i>.</p>
<p><b>Changes to our planned risk assessment and planned audit strategy</b></p>	<p>There were no changes to our planned risk assessment and planned audit strategy.</p>
<p><b>Auditor’s report</b></p>	<p>We have issued an <b>Unmodified Opinion</b> on the financial statements of the District for the year ended <b>September 30, 2024</b>; and other related audit reports as follows:</p> <ul style="list-style-type: none"> <li>• Independent Auditor’s Report - <b>Complete</b></li> <li>• 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 - <b>Complete</b></li> <li>• Management Letter in Accordance with the Rules of the Auditor General of the State of Florida – <b>Complete</b></li> <li>• Schedule of Findings – <b>Complete</b></li> </ul> <p><b>Emphasis of Matter:</b> We have indicated in our report the fact that the Florida Department of Agriculture and Consumer Services (FDACS) contract ended on June 30, 2024, and as of September 30, 2024; there were no new contracts or amendments to continue funding of District’s core operations.</p>
<p><b>Outstanding matters</b></p>	<p>None</p>
<p><b>Significant accounting polices</b></p>	<p>Significant accounting policies and practices are detailed in Note 1 to the financial statements .</p>

## Audit results, required communications, and other matters summary (continued)

Communication Topic	Response
Significant accounting estimates	Not applicable
Significant risk and other significant audit matters	Significant risks and other significant audit matters relate to: <ul style="list-style-type: none"><li>• Management override of controls;</li><li>• Revenue recognition;</li><li>• FDACS terms and conditions compliance.</li></ul>
New accounting pronouncements	No new significant accounting pronouncements were adopted by the District as of September 30, 2024.

## Audit results, required communications, and other matters summary (continued)

Communication Topic	Response
Uncorrected misstatements	No matters to report
Corrected misstatements	No matters to report
Financial presentation and disclosure omissions	No matters to report

## Audit results, required communications, and other matters summary (continued)

Communication Topic	Response
<b>Control deficiencies</b>	No new control deficiencies were noted as of September 30, 2024. Prior years' deficiencies status are provided on pages 14 to 18.
<b>Related parties</b>	No significant findings or issues were detected.
<b>Other information in documents containing audited financial statements</b>	Our responsibility with respect to information in a document does not extend beyond the financial information identified in our report, and we have no obligation to perform and procedures to corroborate other information contained in a document. However, we do have a responsibility to read the other information and consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the financial statements.

## Audit results, required communications, and other matters summary (continued)

Communication Topic	Response	Communication Topic	Response
<b>Illegal acts or fraud</b>	No actual or suspected instances of fraud involving management, employees with significant roles in internal control, or instances where fraud results in a material misstatement in the financial statement were identified during the audit.	<b>Significant difficulties encountered during the audit</b>	No matters to report
<b>Noncompliance with laws and regulations</b>	No matters to report	<b>Disagreements with management</b>	No matters to report
<b>Going Concern</b>	FDCACS Contract # 27691 (CSFA 42.017) ended on June 30, 2024, and as of the date of our audit report, the District's management is in search of new forms of revenue sources.	<b>Significant findings or issues discussed, or the subject of correspondence, with management</b>	Refer to slides 15 - 18 for the findings and recommendations
<b>Non-GAAP</b>	There is not a general ledger system	<b>Management's consultation with other accountants</b>	No matters to report
<b>Subsequent events</b>	No matters to report	<b>Material written communications</b>	Engagement letter and Management's Representation letter
<b>Other findings or issues</b>	No matters to report		



# Audit results, required communications, and other matters summary (continued)

Communication Topic	Response
Independence	In our professional judgment, we are independent with respect to the District, as that term is defined by the professional standards.

# Supplemental Slides

# Areas of audit emphasis

- Financial statements:
  - Financial Reporting
  - Revenues
  - Expenses
  - Capital Assets
  - Long Term Debt

# Areas of Audit emphasis - Financial statements

Areas	Approach
<b>Financial Reporting</b>	<ul style="list-style-type: none"> <li>• Obtained an understanding of the Financial Reporting Process</li> <li>• Inspected the Financial Statements for conformity with GAAP</li> <li>• Inspected the disclosures ensuring applicable disclosures were included in accordance with related accounting standards.</li> </ul>
<b>Revenues</b>	<ul style="list-style-type: none"> <li>• Revenues totaled \$369K for the fiscal year ended September 30, 2024, compared to \$465 K for the fiscal year 2023.</li> <li>• HCT selected a sample of reimbursable invoices paid to farmers by the District from the FDACS grant, the District's main source of revenue. HCT verified the existence of FDACS grants, accurate revenue recognition upon receipt of a 'Reimbursable Form' and invoice issuance; and presentation of the revenues recorded. No exceptions noted.</li> </ul>
<b>Expenses</b>	<ul style="list-style-type: none"> <li>• Totaled \$369K for fiscal year 2024 compared to \$472K for fiscal year 2023.</li> <li>• HCT leveraged the reimbursable invoice selection to validate that invoices were paid to farmers when the expense was incurred. HCT verified the reimbursable expense existed, documentation was complete and accurate, reimbursable expense payment occurred, and the expenses were duly recorded.</li> </ul>

## Areas of Audit emphasis - Financial statements (continued)

Areas	Approach
<b>Capital Assets, net</b>	<ul style="list-style-type: none"><li>• No capital assets were reported for the fiscal years 2024 and 2023.</li></ul>
<b>Long Term Debt</b>	<ul style="list-style-type: none"><li>• No long-term debts were reported for the fiscal year 2024 and 2023.</li></ul>

# Internal control related matters

## HCT responsibilities:

- The purpose of our audit was to express an opinion on the financial statements.
- Our audit included consideration of internal control over financial reporting to design 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.
- We are not expressing an opinion on the effectiveness of the District's internal control system.
- Our consideration of internal control 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.

# Internal control related matters (continued)

## Definitions

### **Deficiency**

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exist when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exist when a properly designed control does not operate as designed, or when that person performing the control does not possess the necessary authority or competence to perform the control effectively.

### **Significant deficiency**

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting (ICFR) that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

### **Material weakness**

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, 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 reasonable possibility exists when the like hood of an event occurring is either reasonably possible or probable. Reasonably possible is defined as the chance of the future event or events occurring is either reasonably possible or probable. Reasonably possible is defined as the chance of the future event or events occurring is more than remote but less than likely. Probable is defined as the further event or events are likely to occurring.

# Significant deficiencies and material weaknesses in internal control

## Prior Years Financial Statement Findings

### 2021 – 01 – Internal Controls over Financial Reporting Material weakness

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

#### **Condition**

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

#### **Effect**

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

#### **Cause**

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

#### **Recommendation:**

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

#### **Current Year Status**

Partially implemented.



## **Significant deficiencies and material weaknesses in internal control (continued)**

### **2022 – 01 – Bank accounts reconciliation**

#### **Significant Deficiency**

##### **Condition**

The District maintains four bank accounts for specified purposes. Formal reconciliations are not performed by management to proper account for all checks issued and outstanding at the end of the accounting period (monthly, quarterly, annually, etc.). During our testing of transactions, we noted there are 30 outstanding checks totaling \$275.00 issued from the Hillsborough 100 account in the prior fiscal year ending September 30, 2021. These checks did not appear to clear the bank statement during the fiscal year 2022. Further, the check sequences on the Hillsborough 100 appeared to originate from three separate check books or registers. Checks were issued with prefixes in the 1000, 1100-1200, and 9000 ranges. Each of these checks also had three separate bank names – the current banking institution of South State Bank as well as the former institutions which it since acquired- Valrico State Bank, and Center State Bank.

##### **Effect**

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

##### **Recommendation**

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

##### **Current year status**

Implemented.

# Significant deficiencies and material weaknesses in internal control

## 2022 – 02 – Compliance with FDACS Contract Reporting

### Significant Deficiency

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

#### **Condition** -

- Per the terms of the FDACS Contract 27691, the District is required to submit the reporting package for reimbursement within two weeks of the initial disbursement to producers. During our testing, we noted that 9 out of ten were marked as received by FDACS outside of the two- week reporting period.
- Further, under the terms of the FDACS Contract, Scope of Work Section IV.b., cost-share funds are to be distributed to producers by ACH electronic funds transfer (section IV.b. in Contract 27691 - Scope of Work). The District continues to distribute funds via manual check. Per review of the minutes of the Board of Supervisors, the FDACS has recommended that disbursements should be made via ACH electronic funds transfer.
- Per Section IV.g-h,j, the District is required to maintain a year-to-date accounting spreadsheet of Cost-Share BMP Agreements by participant/producer and provide a copy with each payment package. Appropriate physical backup files of all invoices, receipts, payments, and forms should also be maintained by the District. During our testing of documentation, the District was unable to provide physical copies of all the required documentation; however, they were able to obtain the submitted documentation from FDACS as evidence of the transactions incurred during the fiscal year.

#### **Effect** -

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

#### **Recommendation**

No recommendation was reported in 2023.

#### **Current year status**

Implemented

# District Management Responsibilities

<b>Management responsibilities - Financial statements</b>	<ul style="list-style-type: none"> <li>• Fairly presenting the financial statements, including disclosures in conformity with U.S. GAAP.</li> <li>• Adjusting the financial statements to correct material misstatements and affirming in the representation letter that the effects of any uncorrected misstatements aggregated by the auditor are immaterial, both individually and the aggregated, to the financial statements taken as a whole.</li> </ul>
<b>Management responsibilities - ICFR</b>	<ul style="list-style-type: none"> <li>• Design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.</li> </ul>
<b>Management responsibilities - Other</b>	<ul style="list-style-type: none"> <li>• To provide the auditor with:             <ol style="list-style-type: none"> <li>1. Access to all information of which management is aware is relevant to the preparation and fair presentation of the consolidated financial statements, such as records, documentation, and other matters;</li> <li>2. Additional information that the auditor may request from management for the purpose of the audit; and</li> <li>3. Unrestricted access to persons within the entity from whom the auditor determines it necessary to obtain audit evidence.</li> </ol> </li> <li>• Identifying and ensuring that the entity complied with laws and regulations applicable to its activities, and for informing the auditor of any known material violations of such laws and regulations.</li> <li>• Providing the auditor with a letter confirming certain representations made during the audit, that includes but is not limited to management:             <ol style="list-style-type: none"> <li>A. disclosure of all significant deficiencies, including material weaknesses in the design or operation of internal controls that could adversely affect the Company's financial reporting</li> <li>B. acknowledgement of their responsibilities for the design, implementation, and maintenance of internal controls to prevent and detect fraud.</li> </ol> </li> </ul>
<b>Oversight responsibilities</b>	<ul style="list-style-type: none"> <li>• Oversight of the financial reporting process and internal control over financial reporting (ICFR)</li> <li>• Oversight of the establishment and maintained by management of programs and controls designed to prevent, deter, and detect fraud.</li> </ul>

# District Management Responsibilities (continued)

<b>Management responsibilities</b>	<ul style="list-style-type: none"> <li>• <b>Setting the proper tone and creating and maintaining a culture of honesty and high ethical standards</b></li> <li>• <b>Ensuring that the entity's operations are conducted within the provisions of law and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in the entity's financial statements</b></li> </ul>
<b>HCT - Audit objectives</b>	<ul style="list-style-type: none"> <li>• Forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the District's Board of Supervisors are prepared, in all material respects, in accordance with U.S. GAAP.</li> </ul>
<b>HCT responsibilities - Audit</b>	<ul style="list-style-type: none"> <li>• Performing the audit in accordance with U.S. GAAS and that the audit is designed to obtain reasonable, rather than absolute, assurance about whether the financial statements as a whole are free from material misstatement.</li> <li>• Performing an audit of financial statements including consideration of ICFR as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's ICFR.</li> </ul>
<b>HCT responsibilities - Other information in documents containing financial statements</b>	<ul style="list-style-type: none"> <li>• The auditor's report on the financial statements does not extend to the other information in documents containing audited consolidated financial statements, excluding required supplementary information.</li> <li>• The auditor's responsibility is to make appropriate arrangements with management or the District's Board of Supervisors to obtain information prior to the report release date and to read the other information to identify material inconsistencies with the audited financial statements or misstatements of facts.</li> <li>• Any material inconsistencies or misstatements of facts that are not resolved prior to the report release date, and that require revision of the other information, may result in HCT modifying or withholding the auditors' report or withdrawing from the engagements.</li> <li>• Communicate any procedures performed relating to the other information and the results of those procedures.</li> </ul>

## Responsibilities (continued)

### HCT responsibilities - Communications

- Communicating significant matters related to the financial statement audit that are in our professional judgment, relevant to the responsibilities of the District's Board of Supervisors in overseeing the financial process. U.S. GAAS does not require us to design procedures for the purpose of identifying matter to communicate to the District's Board of Supervisors.
- Communicating if we suspect or identify non-compliance with laws and regulations exist, unless matters are clearly inconsequential.
- Communicating to management and the District's Board of Supervisors in writing all significant deficiencies and material weaknesses in internal control identified during the audit, including those that were remediated during the judgment, are of sufficient importance to merit managements attention. The objective of our audit consolidated financial statements is to report on the Company's internal control.
- Conducting the audit in accordance with professional standards and complying with the rules and responsibility of the Code of Professional Conduct of the American Institute of Certified Public Accountants and the official standards of relevant CPA Societies, and relevant state boards of accountancy.
- Communicating to the District's Board of Supervisors circumstances, if any, that affect the form and content of the auditors' report.
- Communicating if we plan to withdraw from the engagement and the reasons for the withdrawal
- Communicating to the District's Board of Supervisors if we conclude no reasonable justification for a change of the terms of the audit engagement exists and we are not permitted by management to continue the original audit engagement.
- When applicable, we are also responsible for communicating particular matters required by law or regulation, by agreement with the entity, or by additional requirements applicable to the engagement
- Communicating if we have identified or suspect fraud involving: (a) management, (b) employees who have significant roles in internal control, (c) others, when the fraud results in a material misstatement in the judgment, relevant to the responsibilities of the District's Board of Supervisors.
- Communicating significant finding and issues arising during the audit in connection with the entity's professional parties.
- Communicating conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern for a reasonable period of time.

# Questions



The information contained herein is a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

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