

SPRING LAKE IMPROVEMENT DISTRICT

**BASIC FINANCIAL STATEMENTS
TOGETHER WITH REPORTS OF
INDEPENDENT AUDITOR**

**YEAR ENDED
SEPTEMBER 30, 2016**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Spring Lake Improvement District
Sebring, Florida

Report of the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type and each major fund, of the Spring Lake Improvement District (the "District") as of and for the year ended September 30, 2016 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Managements Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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.

Affiliations

Florida Institute of Certified Public Accountants

American Institute of Certified Public Accountants - Management Consulting Services Division/Private Companies Practice Section/Tax Division

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Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe 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 financial position of the governmental activities, the business-type activities and each major fund of the District as of September 30, 2016, and the respective changes in financial position thereof for the year then ended in conformity 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 the 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 requires, 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 Spring Lake Improvement District's basic financial statements. The schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the Florida Single Audit Act (Florida Statute 215.97) and Rules of the Auditor General of the State of Florida, Chapter 10.550, and is not a part of the basic financial statements.

The schedule of expenditures of state financial assistance is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing

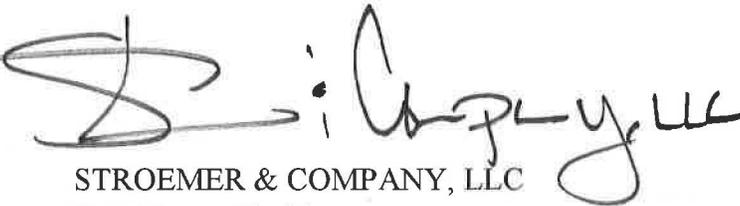
procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2017, 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 and grant 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.

Report on Other Legal and Regulatory Requirements

We have also issued our report dated February 24, 2017, on our consideration of the District's compliance with the requirements of Section 218.415, Florida Statutes, as required by Rule 10.556(10) of the Auditor General of the State of Florida. The purpose of that report is to provide an opinion based on our examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.



STROEMER & COMPANY, LLC
Fort Myers, Florida
February 24, 2017

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

**SPRING LAKE IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
September 30, 2016**

The discussion and analysis of Spring Lake Improvement District is to inform readers of the District's financial activities for the fiscal year ending September 30, 2016. This discussion and analysis should be read in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- In 2016 the District's net position increased by \$1,201,917 (or 20%). The governmental net position increased by \$1,072,007 (or 29%) and the business-type net position increased \$129,910 (or 5%).
- Comparing FY 2016 with FY 2015 the governmental activities revenue increased \$168,476 (or 8%) and the net results from activities decreased by \$154,817 (or 17%).
- Comparing FY 2016 with FY 2015 the business-type revenue increased by \$128,191 (or 15%) and the net results from activities increased by \$113,085 (or 672%).
- In 2016, the District's Capital Assets (net of depreciation) increased by \$2,665,605 (or 57%). The governmental capital assets increased by \$2,556,821 (or 71%) and the business-type capital assets increased by \$108,784 (or 10%).

OVERVIEW OF FINANCIAL STATEMENTS

The discussion and analysis serves as an introduction to the Spring Lake Improvement District's basic financial statements. The District's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to the financial statements.

The government-wide financial statements are designed to provide readers with a broad view of the Spring Lake Improvement District's overall financial status. The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Spring Lake Improvement District is improving or deteriorating. The Statement of Net Position combines and consolidates governmental funds, current financial resources with capital assets and long-term obligations. Other factors should also be taken into consideration, such as changes in the District's property tax base and the condition of the District's infrastructure to assess the overall health or financial condition of the District. The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All of the current year revenue and expenses are taken into account

OVERVIEW OF FINANCIAL STATEMENTS, CONTINUED

regardless of when cash is received or paid. Both the Statement of Net Position and the Statement of Activities are prepared utilizing the accrual basis of accounting. In the Statement of Net Position and the Statement of Activities, the Spring Lake Improvement District is divided into two kinds of activities:

- **Governmental Activities** - Most of the District's basic services are reported here: drainage, transportation, parks and recreation, mosquito control and general administration. Special assessments and user fees finance most of these activities.
- **Business Activities** - The District charges a fee to customers to help it cover all or most of the cost of certain services it provides. The District's water, lot mowing, and wastewater operations are reported here.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the District as a whole. Each fund is considered a separate accounting entity. The Spring Lake Improvement District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with financial related requirements. The District's funds are divided into two categories: governmental funds and proprietary funds. Each fund and fund account has its own account groups and sub-accounts respectively.

Governmental Fund Types - The majority of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Revenues are generated primarily from special assessments and user fees. Expenditures are incurred to provide drainage, general government, street lighting, mosquito control and recreational facilities. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides.

The Spring Lake Improvement District maintains one governmental fund. Information is presented in the governmental fund's Balance Sheet and in the governmental fund's Statement of Revenues, Expenditures, and Change in Fund Balances for the General Fund, which is considered to be a major fund.

**SPRING LAKE IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
September 30, 2016**

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OVERVIEW OF FINANCIAL STATEMENTS, CONTINUED

Proprietary Fund Types - The Spring Lake Improvement District charges customers for the services it provides, whether to outside landowners or the other units within the District. These services are generally reported in proprietary funds.

Proprietary funds are reported the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the District's enterprise funds are identical to the business-type activities that are reported in the government-wide statements but provide more detail by fund. The Spring Lake Improvement District maintains three enterprise funds: water, lot mowing, and wastewater.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

FINANCIAL ANALYSIS - GOVERNMENT-WIDE

The government-wide financial statements report information about the District as a whole. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year revenues received and expenses reported are accounted for in the Statement of Activities. Net position may serve over time as a useful indicator of a government's financial position.

**SPRING LAKE IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
September 30, 2016**

FINANCIAL ANALYSIS - GOVERNMENT-WIDE, CONTINUED

**Statement of Net Position
As of September 30,**

| | Governmental | | Business-type | | Totals | |
|----------------------------------|--------------------|--------------------|--------------------|---------------------|--------------------|--------------------|
| | Activities | Activities | Activities | Activities | 2016 | 2015 |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Assets: | | | | | | |
| Current and other asset | \$ 678,535 | \$1,125,467 | \$1,480,415 | \$ 1,374,004 | \$2,158,950 | \$2,499,471 |
| Capital assets | <u>6,146,960</u> | <u>3,590,139</u> | <u>1,176,013</u> | <u>1,067,229</u> | <u>7,322,973</u> | <u>4,657,368</u> |
| Total assets | 6,825,495 | 4,715,606 | 2,656,428 | 2,441,233 | 9,481,923 | 7,156,839 |
| Liabilities: | | | | | | |
| Current liabilities | 496,274 | 628,359 | 82,657 | 57,010 | 578,931 | 685,369 |
| Long-term liabilities | <u>1,575,225</u> | <u>405,258</u> | <u>79,177</u> | <u>19,539</u> | <u>1,654,402</u> | <u>424,797</u> |
| Total liabilities | 2,071,499 | 1,033,617 | 161,834 | 76,549 | 2,233,333 | 1,110,166 |
| Net position: | | | | | | |
| Net investment in capital assets | 4,556,852 | 2,591,553 | 1,091,016 | 1,067,229 | 5,647,868 | 3,658,782 |
| Unrestricted | <u>197,144</u> | <u>1,090,436</u> | <u>1,403,578</u> | <u>1,297,455</u> | <u>1,600,722</u> | <u>2,387,891</u> |
| Total net position | <u>\$4,753,996</u> | <u>\$3,681,989</u> | <u>\$2,494,594</u> | <u>\$ 2,364,684</u> | <u>\$7,248,590</u> | <u>\$6,046,673</u> |

Governmental Activities

The increase in governmental net position of \$1,072,007 is the result of the Stormwater Treatment Project (STA) and funds due from the FDEP 319 Grant and Legislative Appropriation. The District spent \$2,285,662 on engineering and construction for the STA Project. The District spent \$84,855 in engineering design for pump station upgrades that will be funded by a \$500,000 Legislative Appropriation. The District spent \$288,597 in Capital Outlay purchases consisting of \$229,585 for 2 Diesel Pumps and 1 Electric Pump and the Station, \$1,214 for 1/3 cost of a vehicle lift, \$4,054 for 1/2 the cost of a new air conditioner at the District Office, \$12,255 for a John Deere Gator, \$3,064 for a drainage project on Greenway Terrace, \$6,889 for playground equipment for the Pine Breeze Park, \$22,658 for a 2015 Ford F150 to be used in the Parks department, \$1,978 for a security camera, and \$6,900 for a Mosquito Sprayer.

**SPRING LAKE IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
September 30, 2016**

FINANCIAL ANALYSIS - GOVERNMENT-WIDE, CONTINUED

Business - Type Activities

The increase in business-type net position of \$129,910 was primarily due to Capital Purchases. The Wastewater Fund spent \$76,316 on land acquisition for the new wastewater treatment plant site, and \$7,186 for Lift Station Pumps. The Lot Mowing Fund spent \$1,214 for 1/3 cost of a vehicle. The Water Department made a Capital Lease Purchase of \$103,656 for a Backhoe, \$4,745 for a valve exerciser, \$5,147 for a meter reading table, \$1,214 for 1/3 cost of a vehicle lift, \$4,054 for 1/2 cost of a new air conditioner at the District Office, \$7,642 for water plant generator upgrades, \$2,990 for rehab of a John Deere Gator, \$25,735 for a 2015 Ford F150. \$1,500 for a new computer, \$1,286 for a gate valve, \$1,932 for a fire hydrant, \$2,692 for a DMR Receiver, and \$23,600 for GIS System Software.

Changes in Net Position
Year ended September 30,

| | Governmental | | Business-type | | Totals | |
|---------------------------------------|--------------|--------------|---------------|------------|--------------|--------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 1,104,084 | \$ 1,084,623 | \$ 996,446 | \$ 867,315 | \$ 2,100,530 | \$ 1,951,938 |
| General revenues: | | | | | | |
| Investment earnings | 1,044 | 1,602 | 2,619 | 3,559 | 3,663 | 5,161 |
| Miscellaneous | 195,094 | - | (2,019) | - | 193,075 | - |
| Capital grants and contributions | 849,317 | 899,538 | - | - | 849,317 | 899,538 |
| Gain (loss) on sale of capital assets | 4,700 | - | - | - | 4,700 | - |
| Total revenues | 2,154,239 | 1,985,763 | 997,046 | 870,874 | 3,151,285 | 2,856,637 |

**SPRING LAKE IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
September 30, 2016**

FINANCIAL ANALYSIS - GOVERNMENT-WIDE, CONTINUED

Changes in Net Position, continued
Year ended September 30,

| | Governmental Activities | | Business-type Activities | | Totals | |
|-----------------------------|----------------------------|--------------------|-----------------------------|--------------------|--------------------|--------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Expenses: | | | | | | |
| General government | 175,789 | 187,588 | - | - | 175,789 | 187,588 |
| Physical environment | 639,089 | 630,992 | - | - | 639,089 | 630,992 |
| Transportation | 95,766 | 92,741 | - | - | 95,766 | 92,741 |
| Parks and recreation | 147,499 | 139,721 | - | - | 147,499 | 139,721 |
| Interest expense | 30,279 | 23,721 | - | - | 30,279 | 23,721 |
| Water utility | - | - | 517,146 | 543,342 | 517,146 | 543,342 |
| Lot mowing | - | - | 150,379 | 183,838 | 150,379 | 183,838 |
| Wastewater | - | - | 193,421 | 120,679 | 193,421 | 120,679 |
| Total expenses | 1,088,422 | 1,074,763 | 860,946 | 847,859 | 1,949,368 | 1,922,622 |
| Transfer in (out) | 6,190 | 6,190 | (6,190) | (6,190) | - | - |
| Change in net position | 1,072,007 | 917,190 | 129,910 | 16,825 | 1,201,917 | 934,015 |
| Net position - October 1 | 3,681,989 | 2,764,799 | 2,364,684 | 2,347,859 | 6,046,673 | 5,112,658 |
| Net position - September 30 | <u>\$4,753,996</u> | <u>\$3,681,989</u> | <u>\$2,494,594</u> | <u>\$2,364,684</u> | <u>\$7,248,590</u> | <u>\$6,046,673</u> |

FINANCIAL ANALYSIS OF THE DISTRICT FUNDS

Governmental Funds

Significant differences in revenues between the fund statements and the statement of activities are because grant revenue was not collected until several months after year end. As a result, revenue of \$23,459 is recognized in the statement of activities, but is not recognized as revenue in the general fund statement of revenue, expenditures and changes in fund balance because it is not available to meet current spending needs.

When compared to last year, assessment rates decreased \$7.92 per unit or \$29,542, expenditures increased \$1,570,203 (or 72%) and revenues increased by \$1,451,101 (or 118%). Assessment collections were down 2% from the prior fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT FUNDS, CONTINUED

Governmental Funds, continued

General Government - provides the resources necessary to sustain the day to day operations of the District and includes legal counsel, engineering, management advisors, personnel, insurance and planning and development. This fiscal year, General Government expenditures decreased \$11,799 (or 6%). The decrease was attributable to re-classifying expenses to the proper department, and a reduction in legal lease.

Drainage - provides various systems to maintain flood control in the District consisting of 17.1 miles of canals, a pumping station and water control structures and includes chemicals, canal and pump station maintenance, fuel and personnel. This fiscal year, Drainage expenses decreased \$11,246 (or 3%). The decrease was attributable to re-allocation of salaries, and a decrease in fuel costs.

Parks and Recreation - which includes all District parks, tennis court and community center costs increased \$718 (or 1%).

Street Lighting - provides street lights located throughout the District. Costs increased \$3,025 (or 3%). The increase was attributable to the installation of a new street light.

Mosquito Control - provides a mosquito control program within areas of the District. Expenses for the year increased \$9,490 (or 48%). The increase is mainly from the purchase of a new mosquito fogger.

Capital Outlay - which relates to fixed capital expenditures or fixed capital outlay associated with the construction or improvement of facilities, land acquisitions or improvement, design and engineering costs related thereto. When compared to last years' capital outlay purchases, expenses increased \$1,594,374 (or 137%). The increase was attributable to the costs of the Stormwater Treatment Project and other capital purchases.

Proprietary Funds

There are no significant differences in revenue between the fund statements and the Statement of Activities.

Business-type activities include water, lot mowing and wastewater. When compared to last year's business-type expenses increased by \$126,172 (or 14%) and revenues increased \$13,087 (or 2%).

**SPRING LAKE IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
September 30, 2016**

FINANCIAL ANALYSIS OF THE DISTRICT FUNDS, CONTINUED

Water System - The District's water system operating revenues increased by \$5,814 (or 1%) from the prior year. The District's water system expenses decreased by \$26,196 (or 5%).

Lot Mowing - The District operates a lot mowing program for the benefit of all affected landowners in the District. When compared to last year, charges for services increased \$1,601 (or 1%). Collections were at 88% for FY 2016. Expenses decreased \$33,459 (or 18%)

Wastewater - The District acquired a wastewater system during 2016. When compared to last year, charges for services increased \$121,716 (or 132%) and expenses increased \$72,742 (or 60%).

GENERAL FUND BUDGETARY HIGHLIGHTS

The change between the original and final budgetary appropriations amounted to an increase of \$2,632,652 "for expenditures" after appropriations. This increase was due to the increase in Capital Outlay for the STA 319 Grant Project.

There was a negative variance for revenue when compared to the final budget of \$124,548, which resulted from assessment collections being less than budgeted.

There was a positive variance with final budget for total expenditures of \$105,103. This resulted from total expenditures being less than anticipated, particularly in General Government.

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

DEBT ADMINISTRATION AND CAPITAL ASSETS

Long-term Debt - At the end of the fiscal year, the District's total long-term debt outstanding in the governmental fund is \$1,610,493 an increase of \$1,088,793. This debt is for the 10-year capital loan, compensated absences and the capital lease obligations for the Hydrema Dump Truck and the State Revolving Fund Loan for the STA Project. The current portion of long-term debt is \$35,268. The long-term debt in the business type activities is \$19,399 for compensated absences, and \$84,997 for the capital lease obligation for the Backhoe.

Capital Assets - The District's investment in capital assets for its governmental and business-type activities as of September 30, 2016 amounts to \$7,322,973. This investment in capital assets includes land, buildings, infrastructure, vehicles, equipment, water and wastewater system improvements.

**SPRING LAKE IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
September 30, 2016**

DEBT ADMINISTRATION AND CAPITAL ASSETS, CONTINUED

Capital Assets
(net of depreciation)
As of September 30,

| | Governmental | | Business-type | | Totals | |
|--------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | Activities | | Activities | | | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Land | \$ 924,116 | \$ 924,116 | \$ 100,130 | \$ 23,814 | \$1,024,246 | \$ 947,930 |
| Construction in Progress | 3,371,584 | 899,537 | 28,400 | 4,800 | 3,399,984 | 904,337 |
| Buildings | 195,510 | 216,294 | 146,542 | 158,069 | 342,052 | 374,363 |
| Infrastructure | 1,319,812 | 1,158,582 | - | - | 1,319,812 | 1,158,582 |
| Water system | - | - | 582,141 | 659,022 | 582,141 | 659,022 |
| Wastewater system | - | - | 11,914 | 6,075 | 11,914 | 6,075 |
| Equipment | 335,938 | 391,610 | 306,886 | 215,449 | 642,824 | 607,059 |
| Total | <u>\$6,146,960</u> | <u>\$3,590,139</u> | <u>\$1,176,013</u> | <u>\$1,067,229</u> | <u>\$7,322,973</u> | <u>\$4,657,368</u> |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following factors were considered in preparing the District's budget for the 2016-2017 fiscal year:

The Board of Supervisors of the Spring Lake Improvement District adopted an operating budget in the amount of \$299.52 per assessment unit, which is \$0.26 less than the 2015-2016 rates.

Personnel costs generally comprise the largest portion of any governmental budget. The District created a job function analysis and evaluated the amount of time spent in the performance of those functions. Personnel costs were allocated across the funds according to the results of this analysis.

It was determined that various operating costs should be shared amongst the general, water, lot mowing, and parks departments. Costs were evaluated and the cost ratio was set at 30% drainage, 30% water, 20% lot mowing, 10% parks, and 10% wastewater.

Assessments for Lot Mowing continue to be collected on the non-ad valorem portion of the County tax bill alongside the drainage assessments. Having assessments on the tax rolls improves collectability.

**SPRING LAKE IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
September 30, 2016**

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ECONOMIC FACTORS AND NEXT YEAR'S BUDGET, CONTINUED

The District will continue to enlist the aid of FRWA (Florida Rural Water Association) to evaluate the water rate structure and if necessary the rate structure will be adjusted accordingly.

Pump Station - The District was successful in receiving a Legislative Appropriation in the amount of \$500,000 to rehabilitate the 40 year old pump station. The District Engineer has prepared a scope of work and the project should be completed no later than early 2017.

State Revolving Funds - The District has secured two loans; one for the Storm Water Treatment Area Project, and one for a new Waste Water Treatment Plant. Terms of both loans are for 30 years, with no interest. These funds will be used to offset costs to complete the projects.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Spring Lake Improvement District, 115 Spring Lake Blvd., Sebring, Florida, 33876. All financial information is also available on the District's website www.springlakefl.com.

BASIC FINANCIAL STATEMENTS

SPRING LAKE IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION
September 30, 2016

| | Governmental Activities | Business-type Activities | Total |
|----------------------------------|----------------------------|-----------------------------|----------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 702,885 | \$ 1,247,494 | \$ 1,950,379 |
| Restricted cash | - | 54,264 | 54,264 |
| Accounts receivable, net | 5,095 | 64,357 | 69,452 |
| Due from other governments | 84,855 | - | 84,855 |
| Internal balances | (114,300) | 114,300 | - |
| Capital assets: | | | |
| Nondepreciable | 4,295,700 | 128,530 | 4,424,230 |
| Depreciable, net | <u>1,851,260</u> | <u>1,047,483</u> | <u>2,898,743</u> |
| TOTAL ASSETS | 6,825,495 | 2,656,428 | 9,481,923 |
| LIABILITIES | | | |
| Accounts payable | 461,006 | 3,174 | 464,180 |
| Customer deposits | - | 54,264 | 54,264 |
| Non-current liabilities: | | | |
| Due within one year | 35,268 | 25,219 | 60,487 |
| Due in more than one year | <u>1,575,225</u> | <u>79,177</u> | <u>1,654,402</u> |
| TOTAL LIABILITIES | 2,071,499 | 161,834 | 2,233,333 |
| NET POSITION | | | |
| Net investment in capital assets | 4,556,852 | 1,091,016 | 5,647,868 |
| Unrestricted | <u>197,144</u> | <u>1,403,578</u> | <u>1,600,722</u> |
| TOTAL NET POSITION | <u>\$ 4,753,996</u> | <u>\$ 2,494,594</u> | <u>\$ 7,248,590</u> |

The accompanying notes are an integral part of this statement.

SPRING LAKE IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES
Year ended September 30, 2016

| Functions/Programs | Expenses | Program Revenues | | |
|---------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| GOVERNMENTAL ACTIVITIES | | | | |
| General government | \$ 175,789 | \$ 361,724 | \$ - | \$ - |
| Physical environment | 639,089 | 495,585 | - | 849,317 |
| Transportation | 95,766 | 93,895 | - | - |
| Parks and recreation | 147,499 | 152,880 | - | - |
| Interest on long-term debt | 30,279 | - | - | - |
| Total Governmental Activities | 1,088,422 | 1,104,084 | - | 849,317 |
| BUSINESS-TYPE ACTIVITIES | | | | |
| Water utility | 517,146 | 576,901 | - | - |
| Lot mowing | 150,379 | 205,543 | - | - |
| Wastewater | 193,421 | 214,002 | - | - |
| Total Business-type Activities | 860,946 | 996,446 | - | - |
| TOTAL PRIMARY GOVERNMENT | \$ 1,949,368 | \$ 2,100,530 | \$ - | \$ 849,317 |

General revenues:
Investment earnings
Miscellaneous income
Gain on sale of capital asset
Transfer in (out)
Total General Revenues

CHANGE IN NET POSITION

NET POSITION
OCTOBER 1, 2015

NET POSITION
SEPTEMBER 30, 2016

Net (Expense) Revenue
and Changes in Net Position

| <u>Governmental Activities</u> | <u>Business- type Activities</u> | <u>Total</u> |
|------------------------------------|--|---------------------|
| \$ 185,935 | \$ - | \$ 185,935 |
| 705,813 | - | 705,813 |
| (1,871) | - | (1,871) |
| 5,381 | - | 5,381 |
| <u>(30,279)</u> | <u>-</u> | <u>(30,279)</u> |
| 864,979 | - | 864,979 |
| - | 59,755 | 59,755 |
| - | 55,164 | 55,164 |
| <u>-</u> | <u>20,581</u> | <u>20,581</u> |
| <u>-</u> | <u>135,500</u> | <u>135,500</u> |
| 864,979 | 135,500 | 1,000,479 |
| 1,044 | 2,619 | 3,663 |
| 195,094 | (2,019) | 193,075 |
| 4,700 | - | 4,700 |
| <u>6,190</u> | <u>(6,190)</u> | <u>-</u> |
| <u>207,028</u> | <u>(5,590)</u> | <u>201,438</u> |
| 1,072,007 | 129,910 | 1,201,917 |
| <u>3,681,989</u> | <u>2,364,684</u> | <u>6,046,673</u> |
| <u>\$ 4,753,996</u> | <u>\$ 2,494,594</u> | <u>\$ 7,248,590</u> |

The accompanying notes are an integral part of this statement.

**SPRING LAKE IMPROVEMENT DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
September 30, 2016**

| | <u>General Fund</u> |
|--|-------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 702,885 |
| Accounts receivable, net | 5,095 |
| Due from other governments | <u>84,855</u> |
| TOTAL ASSETS | <u>\$ 792,835</u> |
| LIABILITIES | |
| Accounts payable | \$ 461,006 |
| Due (to) from other funds | <u>114,300</u> |
| TOTAL LIABILITIES | <u>575,306</u> |
| DEFERRED INFLOW OF RESOURCES | 23,459 |
| FUND BALANCE | |
| Unassigned | <u>194,070</u> |
| TOTAL FUND BALANCE | <u>194,070</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE | <u>\$ 792,835</u> |

The accompanying notes are an integral part of this statement.

**SPRING LAKE IMPROVEMENT DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUND TO THE STATEMENT OF NET POSITION
September 30, 2016**

| | <u>Amount</u> |
|---|---------------------|
| Total governmental fund balance | \$ 194,070 |
| <p>Amounts reported for governmental activities in the statement of net position are different because:</p> | |
| <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The statement of net position includes those capital assets, net of any accumulated depreciation, in the net position of the government as a whole.</p> | |
| Capital assets not being depreciated | 4,295,700 |
| Capital assets being depreciated, net | 1,851,260 |
| <p>Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term are reported in the government-wide financial statements.</p> | |
| Due within one year | (35,268) |
| Due in more than one year | (1,575,225) |
| <p>Certain receivables are not available to pay current period expenditures and, therefore, are reported as deferred inflows of resources in the funds</p> | |
| | <u>23,459</u> |
| Total net position of governmental activities | <u>\$ 4,753,996</u> |

SPRING LAKE IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (DEFICIT) - GOVERNMENTAL FUND
Year ended September 30, 2016

| | General Fund |
|--|-------------------|
| REVENUES | |
| Special assessments | \$ 1,007,919 |
| Intergovernmental | 1,578,297 |
| Charges for services | 96,165 |
| Miscellaneous income | 1,000 |
| Investment earnings | <u>1,044</u> |
| TOTAL REVENUES | 2,684,425 |
| EXPENDITURES | |
| General government | 175,789 |
| Physical environment: | |
| Drainage | 436,963 |
| Mosquito control | 29,060 |
| Transportation: | |
| Street lighting | 95,766 |
| Parks and recreation | 119,471 |
| Debt service: | |
| Principal | 116,443 |
| Interest | 30,279 |
| Capital outlay | <u>2,760,644</u> |
| TOTAL EXPENDITURES | 3,764,415 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (1,079,990) |
| OTHER FINANCING SOURCES (USES) | |
| Debt proceeds | 1,207,965 |
| Insurance proceeds | 194,094 |
| Proceeds from sale of assets | 4,700 |
| Transfers in (out) | <u>6,190</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | 1,412,949 |
| NET CHANGE IN FUND BALANCE (DEFICIT) | 332,959 |
| Fund deficit - October 1, 2015 | <u>(138,889)</u> |
| Fund balance - September 30, 2016 | <u>\$ 194,070</u> |

The accompanying notes are an integral part of this statement.

SPRING LAKE IMPROVEMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIT) OF
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
September 30, 2016

| | <u>Amount</u> |
|---|---------------------|
| Net change in fund balance (deficit) - total governmental funds | \$ 332,959 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlay expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. These amounts are: | |
| Capital outlay | 2,760,644 |
| Depreciation expense | (203,823) |
| Some expenses reported in the Statement of Activities do not required the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds. This activity consists of: | |
| Change in compensated absences | 2,729 |
| Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and has no effect on the Statement of Activities. | |
| Debt repayments | 116,443 |
| Revenue recognized in the governmental funds, but not recognized as revenue in the Statement of Activities: | |
| Proceeds from long term debt | (1,207,965) |
| Change in deferred inflows of resources | <u>(728,980)</u> |
| Change in net position of governmental activities | <u>\$ 1,072,007</u> |

The accompanying notes are an integral part of this statement.

SPRING LAKE IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
September 30, 2016

| | Enterprise Funds | | | Total |
|----------------------------------|---------------------|-------------------|-------------------|---------------------|
| | Water | Lot Mowing | Wastewater | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,030,114 | \$ 187,671 | \$ 29,709 | \$ 1,247,494 |
| Restricted cash | 54,264 | - | - | 54,264 |
| Accounts receivable, net | 64,355 | 2 | - | 64,357 |
| Internal balances | 254,300 | - | - | 254,300 |
| Capital assets, net | <u>962,611</u> | <u>107,073</u> | <u>106,329</u> | <u>1,176,013</u> |
| TOTAL ASSETS | 2,365,644 | 294,746 | 136,038 | 2,796,428 |
| LIABILITIES | | | | |
| Accounts payable | 1,506 | 1,279 | 389 | 3,174 |
| Customer deposits | 54,264 | - | - | 54,264 |
| Internal balances | - | - | 140,000 | 140,000 |
| Capital lease payable | 84,997 | - | - | 84,997 |
| Compensated absences | <u>12,154</u> | <u>3,784</u> | <u>3,461</u> | <u>19,399</u> |
| TOTAL LIABILITIES | 152,921 | 5,063 | 143,850 | 301,834 |
| NET POSITION | | | | |
| Net investment in capital assets | 877,614 | 107,073 | 106,329 | 1,091,016 |
| Unrestricted | <u>1,335,109</u> | <u>182,610</u> | <u>(114,141)</u> | <u>1,403,578</u> |
| TOTAL NET POSITION | \$ 2,212,723 | \$ 289,683 | \$ (7,812) | \$ 2,494,594 |

The accompanying notes are an integral part of this statement.

SPRING LAKE IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION (DEFICIT) - PROPRIETARY FUNDS
Year ended September 30, 2016

| | Enterprise Funds | | | Total |
|--|---------------------|-------------------|-------------------|---------------------|
| | Water | Lot Mowing | Wastewater | |
| OPERATING REVENUES | | | | |
| Charges for services | \$ 576,901 | \$ 205,543 | \$ 214,002 | \$ 996,446 |
| OPERATING EXPENSES | | | | |
| Employee compensation and benefits | 249,971 | 76,031 | 75,042 | 401,044 |
| Contract services | 8,603 | 4,863 | 56,572 | 70,038 |
| Other operating expenses | 71,267 | 25,877 | 38,125 | 135,269 |
| Repairs and maintenance | 24,659 | 12,415 | 16,612 | 53,686 |
| Office expense | 27,026 | 8,631 | 3,127 | 38,784 |
| Depreciation | 135,620 | 22,562 | 3,943 | 162,125 |
| TOTAL OPERATING EXPENSES | <u>517,146</u> | <u>150,379</u> | <u>193,421</u> | <u>860,946</u> |
| OPERATING INCOME | 59,755 | 55,164 | 20,581 | 135,500 |
| NON-OPERATING REVENUES (EXPENSES) | | | | |
| Investment earnings | 2,358 | 261 | - | 2,619 |
| Interest expense | (2,019) | - | - | (2,019) |
| Transfer in (out) | (6,190) | - | - | (6,190) |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | <u>(5,851)</u> | <u>261</u> | <u>-</u> | <u>(5,590)</u> |
| CHANGE IN NET POSITION | 53,904 | 55,425 | 20,581 | 129,910 |
| Net position (deficit) - October 1, 2015 | <u>2,158,819</u> | <u>234,258</u> | <u>(28,393)</u> | <u>2,364,684</u> |
| Net position (deficit) - September 30, 2016 | <u>\$ 2,212,723</u> | <u>\$ 289,683</u> | <u>\$ (7,812)</u> | <u>\$ 2,494,594</u> |

The accompanying notes are an integral part of this statement.

SPRING LAKE IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year ended September 30, 2016

| | Enterprise Funds | | | Total |
|---|------------------|------------|------------|--------------|
| | Water | Lot Mowing | Wastewater | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash received from customers | \$ 583,120 | \$ 205,541 | \$ 214,002 | \$ 1,002,663 |
| Cash paid to suppliers | (130,829) | (51,048) | (116,468) | (298,345) |
| Cash paid to employees | (251,357) | (78,247) | (71,581) | (401,185) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | 200,934 | 76,246 | 25,953 | 303,133 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | | |
| Payments to General Fund | (6,190) | - | - | (6,190) |
| Interfund transfers | - | - | 65,000 | 65,000 |
| NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES | (6,190) | - | 65,000 | 58,810 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Acquisition of capital assets | (82,536) | (1,214) | (83,502) | (167,252) |
| Advances to the General Fund | (26,900) | - | - | (26,900) |
| Principal payments on long-term debt | (18,660) | - | - | (18,660) |
| Interest paid on capital debt | (2,019) | - | - | (2,019) |
| NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES | (130,115) | (1,214) | (83,502) | (214,831) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest on investments | 2,358 | 261 | - | 2,619 |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | 2,358 | 261 | - | 2,619 |
| CHANGE IN CASH AND CASH EQUIVALENTS | | | | |
| Cash and cash equivalents - beginning of year | 1,017,391 | 112,378 | 22,258 | 1,152,027 |
| Cash and cash equivalents - end of year | \$ 1,084,378 | \$ 187,671 | \$ 29,709 | \$ 1,301,758 |
| Cash and cash equivalents, classified as: | | | | |
| Current assets | 1,030,114 | 187,671 | 29,709 | 1,247,494 |
| Restricted assets | 54,264 | - | - | 54,264 |
| TOTAL CASH AND CASH EQUIVALENTS | \$ 1,084,378 | \$ 187,671 | \$ 29,709 | \$ 1,301,758 |

The accompanying notes are an integral part of this statement.

SPRING LAKE IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS, CONTINUED
Year ended September 30, 2016

**RECONCILIATION OF CHANGE IN NET POSITION
TO NET CASH PROVIDED BY (USED IN)
OPERATING ACTIVITIES**

| | Enterprise Funds | | | Total |
|---|-------------------|------------------|------------------|-------------------|
| | Water | Lot Mowing | Wastewater | |
| Operating income | \$ 59,755 | \$ 55,164 | \$ 20,581 | \$ 135,500 |
| Adjustments to reconcile operating income to net cash provided by (used in) operating activities: | | | | |
| Depreciation expense | 135,620 | 22,562 | 3,943 | 162,125 |
| (Increase) decrease in assets: | | | | |
| Accounts receivable | 5,222 | (2) | - | 5,220 |
| Increase (decrease) in liabilities: | | | | |
| Accounts payable | 726 | 737 | (2,032) | (569) |
| Customer deposits | 997 | - | 3,461 | 4,458 |
| Compensated absences | (1,386) | (2,215) | - | (3,601) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>\$ 200,934</u> | <u>\$ 76,246</u> | <u>\$ 25,953</u> | <u>\$ 303,133</u> |

**Supplemental Disclosure of non-cash capital
and related financing activities:**

| | |
|--|-------------------|
| Acquisition of capital assets through direct financing capital lease agreement | <u>\$ 103,656</u> |
|--|-------------------|

The accompanying notes are an integral part of this statement.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Spring Lake Improvement District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principle. The District's more significant accounting policies are described below.

Reporting Entity

The District was formed in accordance with Chapter 298 of the Florida Statutes and by special act of the Florida Legislature, being chapter 71-669, Laws of Florida 1971 (collectively referred to as the "Act"). The District is empowered, among other powers it may have, to provide a system of drainage and flood control, and, in order to provide the necessary funds therefore, to issue bonds to be secured by the levy of a tax on all lands in the District in proportion to the amount of benefits assessed to each tract of land.

The District was formed in 1971 and is administered by a five-member Board of Supervisors. The District is defined as an independent special district under the Uniform Special District Accountability Act of 1989, otherwise known as Chapter 189 of the Florida Statutes. Chapter 189 mandates certain requirements for the formation, dissolution, and reporting of special districts.

In evaluating the District as a reporting entity, there were no component units identified for which the District is considered financially accountable.

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 statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the government. For the most part, the effect of interfund activity has been removed from these statements. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Presentation, continued

Government-wide Financial Statements, continued

The statement of net position presents the financial condition of the governmental and business type activities of the District at year end. The statement of activities demonstrates the degree to which direct expenses of a given function or activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers, including special assessments, who purchase, use, or directly benefit from goods, services or privileges provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity.

Separate financial statements are provided for governmental funds and proprietary funds. These fund financial statements are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

Fund Financial Statement Presentation

In the fund financial statements, financial transactions and accounts of the District are organized on the basis of funds each of which is considered a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/net position, revenues, and expenditures/expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements. The following is a brief description of the specific funds used by the District.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Presentation, continued

Major Governmental Fund

General Fund - This fund accounts for all financial resources except those required to be accounted for in another fund. Resources are generated primarily from local property assessments. Expenditures are incurred to provide drainage, street lighting, and recreational services.

Major Proprietary Funds

Water Fund - This fund accounts for the provision of water services to customers within the service area.

Lot Mowing Fund - This fund accounts for the mowing operations and maintenance of the property within the District.

Wastewater Fund - This fund accounts for the provision of wastewater services to customers within the service area.

Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities of the District are recorded in these financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Special assessments are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental funds use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this method revenues are recognized when susceptible to accrual (i.e., when they are both "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Measurement Focus and Basis of Accounting, continued

The District considers revenues to be available if they are collected within 60 days after year-end. Special assessments and interest are susceptible to accrual. Intergovernmental revenues collected and held by other governments are also recognized as revenue. Other receipts become measurable and available when cash is received by the District and are recognized as revenue at that time. Expenditures are recognized in the accounting period in which the fund liability is incurred except for un-matured interest on debt which is recognized when due.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relates to charges to customers for sales and services. The Water Fund recognizes impact fees intended to recover the cost of the infrastructure as capital contributions. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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.

Cash and Cash Equivalents

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

Investments

In accordance with the provisions of GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," the

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments, continued

District reports investments at their fair value on the balance sheet with unrealized gains and losses credited to investment earnings. Amounts invested in the Florida State Board of Administration (SBA) Local Government Surplus Funds Trust Fund ("Florida PRIME") and short-term money market investments are reported as cash equivalents at amortized cost.

Prepaid expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Maintenance Assessments

Maintenance assessments for the current fiscal year (beginning October 1, 2015) were assessed in September 2015 based on the approved budget. The assessments are billed in the month of November 2015 by the Highlands County Tax Collector who remits collected taxes to the District monthly. Assessments are due November 1, 2015 and become delinquent April 1, 2016. Tax certificates are sold for delinquent assessments by June 1, 2016. Generally, the District collects substantially all of its current year assessments during the year in which they are due. The District deems any special assessments not collected by year end uncollectible, and provides an allowance for those amounts. No accrual for the assessments becoming due in November 2016 is included in the accompanying financial statements since such assessments are collected to finance expenditures of the next fiscal year.

Restricted Assets

Restricted assets in the proprietary funds consist of customer deposits. Customer deposits are used to ensure against nonpayment of billings and/or property damage. The deposits remain the property of the customers and therefore, are not available for current operations.

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets. The terms general capital assets and general infrastructure assets relate only to the assets associated with governmental activities, whereas the terms capital assets and

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Capital Assets, continued

infrastructure assets relate to all such assets belonging to the District, including business-type activities.

Capital assets purchased or acquired are carried at historical cost. When capital assets are contributed, they are recorded at fair market value as of the date received. The District defines capital assets as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. General infrastructure assets include canals, culverts, pumping stations, dikes, and water control structures. These assets were recorded in the financial statements in the year they were constructed at historical cost.

Interest is capitalized on Enterprise Fund assets during the period of construction. The amount of interest to be capitalized related to tax exempt borrowings is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. No interest was capitalized during the year.

Depreciation is provided and is computed on the straight-line method over the following estimated useful lives:

| <u>Asset</u> | <u>Years</u> |
|------------------------|---------------|
| Buildings | 10 - 40 years |
| Plant and Improvements | 5 - 40 years |
| Equipment | 5 - 15 years |
| Infrastructure | 20 - 40 years |

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" in the fund financial statements. All short-term interfund receivables and payables are planned to be eliminated shortly after year end. Long-term interfund loans are classified as "advances to/from other funds." Any short-term balances

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Interfund Receivables and Payables, continued

outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Compensated Absences

Regular employees of the District are eligible for vacation leave each year. The vacation year begins on October 1, and ends on September 30. Vacation leave is earned and available on October 1, based on the length of service. Vacation leave may be accumulated up to a maximum of 30 days. A liability has been recorded at September 30, 2016, for unused vacation leave. All compensated absences have been reported as long-term liabilities. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Sick leave may be accumulated up to a maximum of 30 days. However, when an employee leaves or is terminated there is no payment for the unused sick leave benefit. Accordingly, no liability has been accrued for accumulated sick leave.

Long-Term Debt

Long-term debt and other obligations financed are reported as liabilities in the applicable governmental activities and business-type activities.

Use of Estimates

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

Government-wide and Proprietary Fund Net Position

Government-wide and proprietary fund 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Government-wide and Proprietary Fund Net Position, continued

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.

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - amounts that are not in spendable form (such as prepaid expenses 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 District (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 members.

Unassigned - amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The District 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 (such as for special incentives). 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 A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period, which will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no deferred outflows of resources as of September 30, 2016.

Deferred inflows of resources represent an addition of net position that applies to a future period, which will not be recognized as an inflow of resources (revenue) until then. The District has one item that qualifies for reporting in this category on the fund financial statements, and it pertains to deferred state grant revenues.

NOTE B - CASH AND INVESTMENTS

Deposits - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At year-end 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.

Cash and cash equivalents at September 30, 2016, consist of:

| <u>Description</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|--------------------|------------------------------------|-------------------------------------|
| Cash on Hand | \$ - | \$ 100 |
| Florida PRIME | 5,460 | 24,035 |
| Demand deposits | <u>697,425</u> | <u>1,277,623</u> |
| | <u>\$ 702,885</u> | <u>\$ 1,301,758</u> |

Investments - The District has not adopted a formal investment policy, and utilizes the guidelines of Florida Statute section 218.415(17). Florida Statutes authorize the District to invest in direct obligations of the U.S. Treasury, the Local Government Surplus Funds Trust Fund (Florida PRIME), savings accounts or certificates of deposit in state-certified qualified public depositories, and SEC registered money market funds.

The District invests funds throughout the year with the Florida PRIME, an investment pool administered by the State Board of Administration (SBA), under the regulatory oversight of the State of Florida. Investments with the SBA may be made or liquidated, subject to certain penalties, by wire on a same-day basis and

NOTE B - CASH AND INVESTMENTS, CONTINUED

has been classified as cash and cash equivalents. The District's investment in the Florida PRIME is recorded at amortized cost. The Florida PRIME is rated by Standard and Poors with a rating at September 30, 2016 of AAAm.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. The District has no policy on interest rate risk. The weighted average days to maturity (WAM) of the Florida PRIME at September 30, 2016 was 29 days.

Florida PRIME is not exposed to any foreign currency risk.

NOTE C - RECEIVABLES

Receivables at September 30, 2016 in the governmental activities are comprised of accounts receivable from customers of \$685 less an allowance for uncollectible accounts of \$685, special assessments due from other governments of \$513,188, less an allowance of \$513,188, and excess fees of \$5,095. The business-type activities receivables is comprised of accounts receivable from customers of \$126,432, less an allowance for uncollectible accounts of \$62,075.

NOTE D - INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2016, were as follows:

| | Transfer Out | Transfer In |
|--------------|-----------------|-----------------|
| General fund | \$ - | \$ 6,190 |
| Water fund | 6,190 | - |
| | <u>\$ 6,190</u> | <u>\$ 6,190</u> |

The transfer from the Water Fund to the General Fund represents the amount budgeted for operations of general government activities.

SPRING LAKE IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE E - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2016 for the governmental activities is as follows:

| <u>Government Activities</u> | <u>Balance</u> <u>10/01/2015</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance</u> <u>9/30/2016</u> |
|--|-------------------------------------|---------------------|------------------|------------------------------------|
| Capital assets, not being depreciated | | | | |
| Land and land improvements | \$ 924,116 | \$ - | \$ - | \$ 924,116 |
| Construction in progress | <u>899,537</u> | <u>2,472,047</u> | <u>-</u> | <u>3,371,584</u> |
| Total capital assets, not being depreciated | 1,823,653 | 2,472,047 | - | 4,295,700 |
| Capital assets, being depreciated: | | | | |
| Buildings | 356,768 | - | - | 356,768 |
| Infrastructure | 2,896,699 | 239,538 | - | 3,136,237 |
| Equipment | <u>711,051</u> | <u>49,059</u> | <u>(22,541)</u> | <u>737,569</u> |
| Total capital assets, being depreciated | 3,964,518 | 288,597 | (22,541) | 4,230,574 |
| Less accumulated depreciation for: | | | | |
| Buildings | (140,474) | (20,784) | - | (161,258) |
| Infrastructure | (1,738,117) | (78,308) | - | (1,816,425) |
| Equipment | <u>(319,441)</u> | <u>(104,731)</u> | <u>22,541</u> | <u>(401,631)</u> |
| Total accumulated depreciation | <u>(2,198,032)</u> | <u>(203,823)</u> | <u>22,541</u> | <u>(2,379,314)</u> |
| Total capital assets depreciated, net | <u>1,766,486</u> | <u>84,774</u> | <u>-</u> | <u>1,851,260</u> |
| Governmental activities capital assets, net | <u>\$ 3,590,139</u> | <u>\$ 2,556,821</u> | <u>\$ -</u> | <u>\$ 6,146,960</u> |

Depreciation expense is charged to the following functions:

| | |
|----------------------|-------------------|
| Physical environment | \$ 183,039 |
| Parks and recreation | <u>20,784</u> |
| | <u>\$ 203,823</u> |

SPRING LAKE IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE E - CAPITAL ASSETS, CONTINUED

Capital assets activity for the year ended September 30, 2016 for the Business-type activities is as follows:

| <u>Business-type Activities</u> | <u>Balance</u> <u>10/01/2015</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance</u> <u>9/30/2016</u> |
|--|-------------------------------------|-------------------|------------------|------------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land and land improvements | \$ 23,814 | \$ 76,316 | \$ - | \$ 100,130 |
| Construction in progress | <u>4,800</u> | <u>23,600</u> | <u>-</u> | <u>28,400</u> |
| Total capital assets, not being depreciated | 28,614 | 99,916 | - | 128,530 |
| Capital assets, being depreciated: | | | | |
| Buildings | 289,314 | - | - | 289,314 |
| Water system | 2,743,590 | 11,620 | - | 2,755,210 |
| Wastewater system | 6,285 | 7,186 | - | 13,471 |
| Equipment | <u>432,416</u> | <u>152,187</u> | <u>-</u> | <u>584,603</u> |
| Total capital assets, being depreciated | 3,471,605 | 170,993 | - | 3,642,598 |
| Less accumulated depreciation for: | | | | |
| Buildings | (131,245) | (11,527) | - | (142,772) |
| Water system | (2,084,568) | (88,501) | - | (2,173,069) |
| Wastewater system | (210) | (1,347) | - | (1,557) |
| Equipment | <u>(216,967)</u> | <u>(60,750)</u> | <u>-</u> | <u>(277,717)</u> |
| Total accumulated depreciation | <u>(2,432,990)</u> | <u>(162,125)</u> | <u>-</u> | <u>(2,595,115)</u> |
| Total capital assets depreciated, net | <u>1,038,615</u> | <u>8,868</u> | <u>-</u> | <u>1,047,483</u> |
| Business-type activities capital assets, net | <u>\$ 1,067,229</u> | <u>\$ 108,784</u> | <u>\$ -</u> | <u>\$ 1,176,013</u> |

Depreciation expense is charged to the following functions:

| | |
|------------|-------------------|
| Water | \$ 135,620 |
| Lot mowing | 22,562 |
| Wastewater | <u>3,943</u> |
| | <u>\$ 162,125</u> |

NOTE F - RESTRICTED ASSETS

The balance of the restricted asset account for business-type activities consists of customer deposits of \$54,264.

NOTE G - LONG-TERM DEBT

Long-term debt consists of the following at September 30, 2016:
Governmental Activities:

- A loan payable in the amount of \$702,459 with an interest rate of 6.25% is dated August 27, 2008, due in 10 annual installments of \$97,071, including interest, with the final payment due September 27, 2018, and secured by a pledge of the Assessment for the Maintenance Tax Levy. The loan was refinanced in March 2016. Under the refinanced terms, payments are due in 239 monthly installments of \$2,126, including interest of 4.500%, with the final payment due in March 2035. Starting in March 2020, the interest rate converts to a variable rate based on the Treasury Constant Maturity 5 Year rate, plus 3.50%.
- The District entered into a lease-purchase agreement with Caterpillar in the amount of \$149,902 as lessee for financing the acquisition of a boom mower. The lease qualifies as a capital lease for accounting purposes, and therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The lease, dated September 13, 2013, has an interest rate of 3.02% and is due in 35 monthly installments of \$2,991, including interest, with a final balloon payment of \$55,491 due September 13, 2016.
- The District entered into a lease-purchase agreement with Caterpillar in the amount of \$100,266 as lessee for financing the acquisition of a dump truck. The lease qualifies as a capital lease for accounting purposes, and therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The lease, dated January 28, 2016, has an interest rate of 4.07% and is due in 36 monthly installments of \$2,194, including interest, with a final balloon payment of \$31,185 due February 2018.
- Construction loan with the Florida Department of Environmental Protection due in 40 equal semi-annual installments (April and October), with 0% interest. The first payment is not due until October 2017, and the final payment is due in April 2037. Maximum borrowing under the agreement are \$1,836,625, and current year borrowings are \$1,207,965.

SPRING LAKE IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE G - LONG-TERM DEBT, CONTINUED

Business-type Activities:

- The District entered into a lease-purchase agreement with Caterpillar in the amount of \$103,656 as lessee for financing the acquisition of a backhoe. The lease qualifies as a capital lease for accounting purposes, and therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The lease, dated December 31, 2015, has an interest rate of 3.20% and is due in 48 monthly installments of \$2,298, including interest, with the final payment due in December 2019.

| Governmental Activities | Balance 10/01/2015 | Additions | Reductions | Balance 9/30/2016 | Due in One Year |
|-----------------------------|-----------------------|---------------------|---------------------|----------------------|--------------------|
| Loan payable | \$ 328,023 | \$ - | \$ (11,083) | \$ 316,940 | \$ 11,491 |
| State Revolving Fund | | | | | |
| Loan | - | 1,207,965 | - | 1,207,965 | - |
| Capital lease (mower) | 82,673 | - | (82,673) | - | - |
| Capital lease (truck) | 87,890 | - | (22,687) | 65,203 | 23,777 |
| Compensated absences | 23,114 | 20,698 | (23,427) | 20,385 | - |
| Total | <u>\$ 521,700</u> | <u>\$ 1,228,663</u> | <u>\$ (139,870)</u> | <u>\$ 1,610,493</u> | <u>\$ 35,268</u> |
| Business-Type Activities | | | | | |
| Capital lease (backhoe) | \$ - | \$ 103,656 | \$ (18,659) | \$ 84,997 | \$ 25,219 |
| Compensated absences | 19,539 | 22,153 | (22,293) | 19,399 | - |
| Total | <u>\$ 19,539</u> | <u>\$ 125,809</u> | <u>\$ (40,952)</u> | <u>\$ 104,396</u> | <u>\$ 25,219</u> |

The annual requirements to amortize the principal and interest on the outstanding balance of the government activity long-term debt is as follows:

| September 30, | Principal | Interest | Total |
|---------------|-------------------|-------------------|-------------------|
| 2017 | \$ 11,491 | \$ 14,026 | \$ 25,517 |
| 2018 | 12,018 | 13,499 | 25,517 |
| 2019 | 12,570 | 12,947 | 25,517 |
| 2020 | 13,148 | 12,370 | 25,518 |
| 2021 | 13,752 | 11,766 | 25,518 |
| 2022 - 2026 | 78,838 | 48,751 | 127,589 |
| 2027 - 2031 | 98,688 | 28,900 | 127,588 |
| 2032 - 2035 | 76,435 | 5,816 | 82,251 |
| Totals | <u>\$ 316,940</u> | <u>\$ 148,075</u> | <u>\$ 465,015</u> |

NOTE G - LONG-TERM DEBT, CONTINUED

The future minimum lease obligation and net present value of the minimum capital lease payments as of September 30, 2016 is as follows:

| <u>September 30,</u> | <u>Governmental Activities</u> | <u>Business- type Activities</u> |
|--|------------------------------------|--|
| 2017 | \$ 26,334 | \$ 27,571 |
| 2018 | 42,157 | 27,571 |
| 2019 | - | 27,571 |
| 2020 | - | 6,894 |
| Minimum payments | 68,491 | 89,607 |
| Less: amount representing interest | <u>(3,288)</u> | <u>(4,610)</u> |
| Present value of minimum lease payments | 65,203 | 84,997 |
| Less: current portion representing principal | <u>(23,777)</u> | <u>(25,219)</u> |
| Total capital lease obligations - long term | <u>\$ 41,426</u> | <u>\$ 59,778</u> |
| Current year interest expense | <u>\$ 30,279</u> | <u>\$ 2,019</u> |

NOTE H - LINE OF CREDIT

The District maintains a \$750,000 renewable unsecured line of credit agreement with Highlands Independent Bank. The variable rate line of credit has a five year term, with the current renewal terminating on July 2, 2020. The variable interest rate is based on the Wall Street Journal US Prime Rate plus 1%. As of September 30, 2016, the outstanding balance on the line of credit was \$0, and \$750,000 is available to borrow.

NOTE I - PLEDGED REVENUES

The District has pledged future revenues derived from the assessment of the "maintenance tax levy" (designated as 20 year capital loan) to repay a loan in the amount of \$328,023. Proceeds from the loan provided financing for capital acquisitions. The loan is payable solely from the assessment and is payable through 2035. The total principal and interest remaining to be paid is \$316,940 with annual

NOTE I - PLEDGED REVENUES, CONTINUED

payments expected to require 99% of the pledged revenues. Principal and interest payments for the current year were \$25,512, and the current year assessment designated as 20 year capital loan was \$25,512.

NOTE J - COMMITMENTS

State and Federal grant monies received by the District are for specific purposes and are subject to review by the grantor agencies. Such audits could result in requests for reimbursement due to disallowed expenditures. District management believes it has complied with the terms and conditions of the grant agreements, and does not believe such disallowance, if any, would have a material effect on the District's financial position.

Additionally, the District has been working with the South Florida Water Management District (SFWMD) since November 2005 to update its stormwater management system to comply with current SFWMD water quality requirements. To meet these requirements, the District has acquired additional acreage of unimproved lands for stormwater purposes, and is in the process of constructing a lake-wetland marsh system, including an on-site stormwater treatment facility (SLID STA) to provide an increase in retention and detention of stormwater.

NOTE K - RETIREMENT PLAN

For those employees who are 21 years old and have two years of service, the District contributes 6% of the employees' gross wages to an IRA/SEP plan. The District contributed \$33,885, \$28,277 and \$26,212 for the years ended September 30, 2016, 2015 and 2014, respectively.

NOTE L - SUBSEQUENT EVENTS

Management has adopted the provisions set forth in GASB Statement No. 56, "Subsequent Events", and considered subsequent events through February 24, 2017, which is the date that the financial statements were available to be issued.

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

SPRING LAKE IMPROVEMENT DISTRICT
BUDGET TO ACTUAL COMPARISON SCHEDULE - GENERAL FUND
Year ended September 30, 2016

| | Original Budget | Final Budget | Actual | Variance with Final Budget Over (Under) |
|--|---------------------|-------------------|-------------------|---|
| REVENUES | | | | |
| Special assessments | \$ 1,131,441 | \$ 1,131,441 | \$ 1,007,919 | \$ (123,522) |
| Charges for services | 97,235 | 97,235 | 96,165 | (1,070) |
| Intergovernmental | - | 1,578,297 | 1,578,297 | - |
| Miscellaneous income | - | - | 1,000 | 1,000 |
| Investment earnings | <u>2,000</u> | <u>2,000</u> | <u>1,044</u> | <u>(956)</u> |
| Total revenues | 1,230,676 | 2,808,973 | 2,684,425 | (124,548) |
| EXPENDITURES | | | | |
| General government | 302,714 | 238,438 | 175,789 | 62,649 |
| Physical environment: | | | | |
| Drainage | 519,612 | 531,440 | 436,963 | 94,477 |
| Mosquito control | 30,188 | 31,738 | 29,060 | 2,678 |
| Transportation: | | | | |
| Street lighting | 97,500 | 97,500 | 95,766 | 1,734 |
| Parks and recreation | 159,852 | 159,852 | 119,471 | 40,381 |
| Debt service: | | | | |
| Principal | 97,000 | 124,269 | 116,443 | 7,826 |
| Interest | 15,000 | 25,692 | 30,279 | (4,587) |
| Capital outlay | <u>15,000</u> | <u>2,660,589</u> | <u>2,760,644</u> | <u>(100,055)</u> |
| Total expenditures | 1,236,866 | 3,869,518 | 3,764,415 | 105,103 |
| Excess (Deficiency) of Revenues Over Expenditures | (6,190) | (1,060,545) | (1,079,990) | (19,445) |
| Other Financing Sources | | | | |
| Debt proceeds | - | 1,836,625 | 1,207,965 | 628,660 |
| Insurance proceeds | - | 194,094 | 194,094 | - |
| Proceeds from sale of capital assets | - | - | 4,700 | (4,700) |
| Operating transfers in (out) | <u>6,190</u> | <u>6,190</u> | <u>6,190</u> | <u>-</u> |
| Total other financing sources | <u>6,190</u> | <u>2,036,909</u> | <u>1,412,949</u> | <u>623,960</u> |
| Change in Fund Balance | - | 976,364 | 332,959 | (643,405) |
| Fund Balance - beginning of year | <u>(138,889)</u> | <u>(138,889)</u> | <u>(138,889)</u> | <u>-</u> |
| Fund Deficit - end of year | <u>\$ (138,889)</u> | <u>\$ 837,475</u> | <u>\$ 194,070</u> | <u>\$ (643,405)</u> |

SPRING LAKE IMPROVEMENT DISTRICT
NOTE TO BUDGETARY COMPARISON SCHEDULE
September 30, 2016

NOTE A - BUDGETS AND BUDGETARY ACCOUNTING

The District adopts an operating budget for the General Fund on a modified accrual basis, which is consistent with its accounting basis.

The level of budgetary control is at the object level (expense categories such as salaries, supplies, etc.) due to District Board of Supervisor's required approval of budget transfers among expense categories.

Unexpended budget appropriations lapse at year end. The District does not use formal encumbrance accounting.

For the year ended September 30, 2016, the District reported a negative variance with final budget for the General Fund of \$643,405. The negative variance was primarily due to revenues being less than anticipated.

**ADDITIONAL REPORTS OF
INDEPENDENT AUDITOR
AND
MANAGEMENT LETTER**

**SPRING LAKE IMPROVEMENT DISTRICT
 SCHEDULE OF EXPENDITURES OF STATE
 FINANCIAL ASSISTANCE
 Year ended September 30, 2016**

| <u>Grantor/Pass Through Entity</u> | <u>CFSA Number</u> | <u>Contract/ Pass-Through Grantor Number</u> | <u>Award Amount</u> | <u>Revenue Recognized</u> | <u>Disbursements/ Expenditures</u> |
|--|------------------------|--|-------------------------|-------------------------------|--|
| STATE FINANCIAL ASSISTANCE | | | | | |
| <u>State of Florida, Department of Environmental Protection</u> | | | | | |
| Clean Water State Revolving Fund Construction Loan Agreement | 37.077 | SW280500 | \$1,836,625 | \$ 1,207,965 | \$ 1,311,511 |
| State Surface Water Restoration and Wastewater Projects | 37.039 | C9-99451511-0 | 416,000 | <u>199,457</u> | <u>199,457</u> |
| TOTAL STATE FINANCIAL ASSISTANCE | | | | <u>\$ 1,407,422</u> | <u>\$ 1,510,968</u> |

(1) Includes payables of \$101,530

SPRING LAKE IMPROVEMENT DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
Year ended September 30, 2016

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of State Financial Assistance includes the State grant activity of Spring Lake Improvement District and is presented based on accounting principles generally accepted in the United States of America. The information in this Schedule is presented in accordance with the provisions of the Florida Single Audit Act (Florida Statute 215.97) and Rules of the Auditor General of the State of Florida, Chapter 10.550.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Schedule of Expenditures of State Financial Assistance is prepared on the accrual basis of accounting.

NOTE C - CONTINGENCIES

State programs are subject to financial and compliance audits by the grantor agencies which, if instances of material noncompliance are found, could result in disallowed expenditures. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time. However, the District believes it has complied with the terms and conditions of the grant agreements, and therefore expects such amounts, if any, to be immaterial.



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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
Spring Lake Improvement District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund (modify as needed) of Spring Lake Improvement District, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise Spring Lake Improvement District's basic financial statements, and have issued our report thereon dated February 24, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Spring Lake Improvement 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 Spring Lake Improvement District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Spring Lake Improvement 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,

Affiliations

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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 the 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 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 Spring Lake Improvement District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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 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.



STROEMER & COMPANY, LLC

Fort Myers, Florida

February 24, 2017



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**Independent Auditor's Report On Compliance For Each Major Project
And On Internal Control Over Compliance Required By The Florida
Single Audit Act (Florida Statute 215.97) And Rules Of The Auditor
General Of The State Of Florida, Chapter 10.550**

Board of Supervisors
Spring Lake Improvement District

Report On Compliance for Each Major State Project

We have audited Spring Lake Improvement District, (the "District") compliance with the types of compliance requirements described in the "*State Projects Compliance Supplement*" that could have a direct and material effect on each of Spring Lake Improvement District's major state projects for the year ended September 30, 2016. Spring Lake Improvement District's major state projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions 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; the audit requirements of the Florida Single Audit Act (Florida Statute 215.97) and Rules of the Auditor General of the State of Florida, Chapter 10.550. Those standards require that we

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plan and perform the audit to obtain reasonable assurance about whether noncompliance with the type 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 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, Spring Lake Improvement District complied, in all material respects, with the types of compliance requirements referred to above that could have a material effect on each of its major state projects for the year ended September 30, 2016.

Report On Internal Control Over Compliance

Management of Spring Lake Improvement 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 Spring Lake Improvement District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or 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 the Florida Single Audit Act (Florida Statute 215.97) and Rules of the Auditor General, Chapter 10.550, 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, non-compliance 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 a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that a 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 a 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 the Florida Single Audit Act (Florida Statute 215.97) and Rules of the Auditor General of the State of Florida, Chapter 10.550. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Stroemer & Company, LLC". The signature is stylized and cursive, with a large initial "S" and "C".

STROEMER & COMPANY, LLC

Fort Myers, Florida

February 24, 2017

**SPRING LAKE IMPROVEMENT DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
 STATE FINANCIAL ASSISTANCE
 Year ended September 30, 2016**

Section I – Summary of Auditor’s Results

Financial Statements

| | | | |
|---|-------------|------------------|---------------|
| Type of auditor's report issued | Unqualified | | |
| Internal control over financial reporting: | | | |
| Material weakness(es) identified? | _____ | Yes <u> X </u> | No |
| Significant deficiency(ies) identified? | _____ | Yes <u> X </u> | None reported |
| Noncompliance material to financial statements noted? | _____ | Yes <u> X </u> | No |

State Financial Assistance

| | | | |
|--|-------------|------------------|---------------|
| Internal control over major programs: | | | |
| Material weakness(es) identified? | _____ | Yes <u> X </u> | No |
| Significant deficiency(ies) identified? | _____ | Yes <u> X </u> | None reported |
| Type of auditor's report issued on compliance for major programs | Unqualified | | |
| Any audit findings disclosed that are required to be reported in accordance with Rules of Auditor General 10.550 | _____ | Yes <u> X </u> | No |

Identification of major programs (Type A):

| | |
|------------------|--|
| CSFA | |
| <u>Number(s)</u> | <u>Name of State Project or Cluster</u> |
| 37.077 | Clean Water State Revolving Fund Construction Loan Agreement |

Dollar threshold used to distinguish between Type A and Type B programs Threshold used was \$452,686, 30% of total state financial assistance

Section II - Financial Statement Findings

There were no material weaknesses or instances of noncompliance related to the financial statements.

Section III - State Financial Assistance Findings and Questioned Costs

There were no audit findings related to State Financial Assistance required to be reported by Rules of the Auditor General 10.654(1)(g).

Section IV - Status of Prior Year Findings

There were no prior year findings.



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH THE REQUIREMENTS OF SECTION 218.415, FLORIDA
STATUTES, REQUIRED BY RULE 10.556(10) OF THE AUDITOR
GENERAL OF THE STATE OF FLORIDA**

Board of Supervisors
Spring Lake Improvement District
Sebring, Florida

We have examined Spring Lake Improvement District's (the "District"), compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2016. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about 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 fiscal year ended September 30, 2016.

This report 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, management, and the Board of Supervisors of Spring Lake Improvement District and is not intended to be and should not be used by anyone other than these specified parties.

STROEMER & COMPANY, LLC

Fort Myers, Florida

February 24, 2017

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**MANAGEMENT LETTER REQUIRED BY CHAPTER 10.550 OF THE RULES OF
THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

Board of Supervisors
Spring Lake Improvement District
Sebring, Florida

Report on the Financial Statements

We have audited the financial statements of Spring Lake Improvement District (the "District"), Florida, as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated February 24, 2017.

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 Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated February 24, 2017, should be considered in conjunction with this management letter.

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Prior Audit Findings

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

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires that we report the results of our determination as to whether or not Spring Lake Improvement District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the Spring Lake Improvement 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. 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.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for Spring Lake Improvement District for the fiscal year ended September 30, 2016, 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, 2016. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

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

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have 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 have 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, as applicable, the Board of Commissioners of Spring Lake Improvement District and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Stroemer & Company, LLC". The signature is written in a cursive, stylized font. The word "Stroemer" is written with a large, sweeping initial 'S'. The word "Company" is written in a similar cursive style, and "LLC" is written in a simpler, more upright font at the end.

STROEMER & COMPANY, LLC

Fort Myers, Florida

February 24, 2017