

SPRING LAKE IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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SPRING LAKE IMPROVEMENT DISTRICT
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SEPTEMBER 30, 2011

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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Spring Lake Improvement District
Sebring, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Spring Lake Improvement District as of and for the year ended September 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Spring Lake Improvement District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Spring Lake Improvement District as of September 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2012, on our consideration of Spring Lake Improvement District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Supervisors (continued)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 33 through 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Wicks, Brown, Williams & Co.

Wicks, Brown, Williams & Co.

February 8, 2012

SPRING LAKE IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011
(Unaudited)

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, 2011. This discussion and analysis should be read in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- In 2011 the District's net assets increased by \$258,891 (or 6%). The governmental net assets increased by \$207,238 (or 9%) and the business-type net assets increased \$51,653 (or 3%).
- Comparing FY 2011 with FY 2010 the governmental activities revenue decreased \$103,209 (or 8%) and the net results from activities decreased by \$56,461 (or 21%).
- Comparing FY 2011 with FY 2010 the business-type revenue increased by \$156,565 (or 29%) and the net results from activities increased by \$74,525 (or 326%).
- In 2011, the District Capital Assets (net of depreciation) decreased by \$105,605 (or 3%). The governmental capital assets decreased by \$48,053 (or 2%) and the business-type capital assets decreased by \$57,552 (or 5%).

OVERVIEW OF THE 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 Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 Assets combines and consolidates governmental funds, current financial resources with capital assets and long-term obligations. Other non-financial 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 assets changed during the most recent fiscal year. All of the current year revenue and expenses are taken into account regardless of when cash is received or paid. Both the Statement of Net Assets and the Statement of Activities are prepared utilizing the accrual basis of accounting. In the Statement of Net Assets 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, 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 and lot mowing operations are reported here.

SPRING LAKE IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011
(Unaudited)

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 respectfully.

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 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 basics 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.

Proprietary Fund Types – The Spring Lake Improvement District charges customers for the services it provides, whether to outside customers 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 Assets 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 two enterprise funds: water and lot mowing.

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 of 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 assets includes all of the government's assets and liabilities. All of the current year revenues received and expenses reported are accounted for in this statement of activities. Net assets may serve over time as a useful indicator of a government's financial position.

SPRING LAKE IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011
(Unaudited)

Statement of Net Assets
As of September 30, 2011

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$768,617	\$604,767	\$976,974	\$851,821	\$1,745,591	\$1,456,588
Capital assets	2,470,021	2,518,074	1,216,578	1,274,130	3,686,599	3,792,204
Total assets	3,238,638	3,122,841	2,193,552	2,125,951	5,432,190	5,248,792
Long-term liabilities	728,979	863,113	12,603	15,816	741,582	878,929
Other liabilities	177,963	135,270	80,742	61,581	258,705	196,851
Total liabilities	906,942	998,383	93,345	77,397	1,000,287	1,075,780
Net assets:						
Invested in capital assets						
net of related debt	1,627,087	1,509,304	1,216,578	1,274,130	2,843,665	2,783,434
Unrestricted	704,609	615,154	883,629	774,424	1,588,238	1,389,578
Total net assets	\$2,331,696	\$2,124,458	\$2,100,207	\$2,048,554	\$4,431,903	\$4,173,012

Governmental Activities

The increase in governmental net assets of \$207,238 is the result of increased revenues, with expenditures increasing at a smaller percentage ratio. The District made efforts to reduce costs. In working with Highlands County to complete a drainage project in Village VIII, the District saved over \$30,000 in the budget line item for this project. The District spent \$50,560 in engineering with the majority of these costs being associated with the Water Control Plan and conceptual permit application process. The District spent \$25,193 in Capital Outlay purchases consisting of ½ the cost of fencing the maintenance shop and office, mini net books for the Board of Supervisors, ½ the cost of a new computer server at the office. \$12,898 was spent on Phase I of the SCADA system at the pump station. \$4,060 was spent repairing the roof and the old shop building which is now being used as an Aquatic Weed Control Center. Other government liabilities increased by \$42,693 due to an increase in accounts payable.

Business – Type Activities

The increase in business-type net assets of \$51,653 was primarily due to increase of revenue from home foreclosures selling and outstanding liens getting paid off. In addition the Water Fund spent \$19,795 in shared projects with the General Fund including fencing at the office and shop and new computer server. \$12,898 was spent on the Phase I SCADA system at the Water Plant. \$42,134 was spent on water tank repairs. The District contracted with Mueller Services for \$9,618 to have the fire hydrants tested and certified. \$13,794 was paid to Hydro Designs for meter inspections in compliance with the Districts cross connection control program. There was no new activity in the Lot Mowing Fund during the year.

SPRING LAKE IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011
(Unaudited)

Changes in Net Assets

The change in Net Assets presents the operating results of the District and the combined net change for the fiscal year.

Changes in Net Assets
As of September 30, 2011

	Governmental Activities		Business-type Activities		Totals	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program revenues:						
Charges for services	\$1,148,592	\$1,255,601	\$ 683,287	\$ 521,034	\$1,831,879	\$1,776,635
Capital Grants and Contributions	-	-	-	-	-	-
General revenues:						
Investment earnings	4,390	5,988	7,473	13,161	11,863	19,149
Miscellaneous	5,398	-	-	-	5,398	-
Total revenues	<u>1,158,380</u>	<u>1,261,589</u>	<u>690,760</u>	<u>534,195</u>	<u>1,849,140</u>	<u>1,795,784</u>
Expenses:						
General government	167,861	270,743	-	-	167,861	270,743
Physical environment	541,990	465,549	-	-	541,990	465,549
Transportation	93,445	94,417	-	-	93,445	94,417
Parks and recreation	90,024	91,768	-	-	90,024	91,768
Interest on long-term liabilities	64,012	40,839	-	-	64,012	40,839
Water utility	-	-	491,850	459,823	491,850	459,823
Lot mowing	-	-	141,067	131,818	141,067	131,818
Transfers	(6,190)	34,574	6,190	(34,574)	-	-
Total expenses	<u>951,142</u>	<u>997,890</u>	<u>639,107</u>	<u>557,067</u>	<u>1,590,249</u>	<u>1,554,957</u>
Increase in net assets	207,238	263,699	51,653	(22,872)	258,891	240,827
Net assets-October 1	<u>2,124,458</u>	<u>1,860,759</u>	<u>2,048,554</u>	<u>2,071,426</u>	<u>4,173,012</u>	<u>3,932,185</u>
Net assets-September 30	<u>\$2,331,696</u>	<u>\$2,124,458</u>	<u>\$2,100,207</u>	<u>\$2,048,554</u>	<u>\$4,431,903</u>	<u>\$4,173,012</u>

FINANCIAL ANALYSIS OF THE DISTRICTS FUNDS

Governmental Funds

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

When compared to last year assessment rates increased \$10.70 per unit, expenses decreased \$389,254 (or 27%) and revenues decreased by \$103,209 (or 8%). Assessment collections were down 9% from the prior fiscal year. There was no mosquito revenue assessed as a result of the failure of the referendum on the Charter Revision.

SPRING LAKE IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011
(Unaudited)

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 expenses decreased \$105,532 (or 39%). Much of the decrease was attributable to prior year engineering costs associated with the drainage water control plan.

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 increased \$95,718 (or 27%). The following line items contributed in the increase: A joint venture between Highlands County and the District corrected a long standing drainage problem on two large culverts on Lakeside Way in Village VIII. As a result of new flood maps thru FEMA the District received an unfunded mandate to certify its levee. This process resulted in a final report being sent to FEMA and the results are pending.

Parks and Recreation- which includes all District parks, tennis court and community center decreased costs \$10,316 (or 13%). This decrease is associated with reduced maintenance costs.

Street Lighting- provides street lights located throughout the District. Costs decreased \$972 (or less than 1%).

Mosquito Control- provides a mosquito control program within areas of the District. There were no costs assessed for this program in Fiscal Year 11. The District Mosquito Control program has been eliminated due to the referendum failure of the Charter Revision, resulting in a decrease in total expenses of \$9,957. This issue is being re-addressed and if the District Charter is revised this program will be re-enacted.

Capital Outlay- which relates to fixed capital expenditure or fixed capital outlay associated with the construction or improvement of facilities, land acquisitions or improvement, design and engineering costs related thereto, experienced a significant decrease. When compared to last years' capital outlay purchases, expenses decreased \$448,989 (or 87%). This decrease is due to the prior year land acquisition. The District's main focus this year was in completing the Village VIII drainage project and the FEMA Levee certification.

Proprietary Funds

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

Business-type activities include water and lot mowing. When compared to last year's business-type expenses increased by \$42,007 (or 7%) and revenues increased \$162,148 (or 32%).

Water System- The District's water system revenues increased by \$11,075 from the prior year. A rate increase effective 10-1-2010 as well as an increase in outstanding collections on foreclosed properties contributed to this increase. The District's water system expenses increased by \$32,758, due to an increase in salary costs.

Lot Mowing- The District operates a lot mowing program for the benefit of all property owners in the District. When compared to last year, charges for services increased \$151,073 (or 590%). The revenue increase is due to Lot mowing assessments being collected on the non ad-valorem portion of the county tax bill. In addition, no billings were processed in FY 2010 due to timing of placing the assessments on the tax rolls. Collections were at 90% for FY 2011. Expenses increased \$9,249 (or 7%).

SPRING LAKE IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
 SEPTEMBER 30, 2011
 (Unaudited)

GENERAL FUND BUDGETARY HIGHLIGHTS

The change between the original and final budgetary appropriations amounted to an increase of \$23,102 “for expenditures” after appropriations. This increase was due to budgeting for capital outlay and associated debt proceeds for a new lease.

There was a negative variance for revenue when compared to the final budget of \$97,867 which resulted from assessment collections being down by (9%).

There was a positive variance with final budget for total expenditures of \$250,347. This resulted from total expenditures being less than anticipated, particularly in Drainage. Actual expenses for Village VIII drainage and Engineering were significantly less than budgeted, due to County’s assistance with the project.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – The District’s investment in capital assets for its governmental and business-type activities as of September 30, 2011 amounts to \$3,686,599. This investment in capital assets includes land, buildings, infrastructure, vehicles, equipment, and water system improvements.

Capital Assets
 (net of depreciation)
 As of September 30, 2011

	Governmental Activities		Business-type Activities		Totals	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 636,005	\$ 636,005	\$ 7,014	\$ 7,014	\$ 643,019	\$ 643,019
Const. In Progress	12,898	-	12,898	-	25,796	-
Buildings	366,066	388,560	182,622	174,188	548,688	562,748
Infrastructure	1,338,221	1,365,486	-	-	1,338,221	1,365,486
Water System	-	-	889,854	933,920	889,854	933,920
Equipment	116,831	128,023	124,190	159,008	241,021	287,031
Total	<u>\$2,470,021</u>	<u>\$2,518,074</u>	<u>\$1,216,578</u>	<u>\$1,274,130</u>	<u>\$3,686,599</u>	<u>\$3,792,204</u>

Long-term Debt – At the end of the fiscal year, the District’s total long-term debt outstanding in the governmental fund is \$861,866, a decrease of \$125,913. This debt is for the 10-year capital loan, compensated absences, and the promissory note payable for the Water Control Plan land purchase. The current portion of long-term debt is \$132,887. The only long-term debt in the business type activities is \$12,603 for compensated absences.

SPRING LAKE IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011
(Unaudited)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following factors were considered in preparing the District's budget for the 2011-2012 fiscal year:

The Board of Supervisors of the Spring Lake Improvement District adopted an operating budget in the amount of \$302.83 per assessment unit, which is \$1.08 less than the 2010-2011 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 35% drainage, 35% water, 20% lot mowing, and 10% parks.

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

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.

Mosquito Control Assessments were omitted from the assessment roll. The Board is currently working on a Charter Revision to add mosquito control powers. The bill is going to legislation in 2012 and if approved mosquito control will be added to future assessments.

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.

SPRING LAKE IMPROVEMENT DISTRICT
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 762,520	\$ 849,187	\$ 1,611,707
Receivables	2,167	60,893	63,060
Internal balances	(296)	296	-
Prepays	2,062	1,589	3,651
Investments	2,164	9,397	11,561
Restricted asset - cash and cash equivalents	-	55,612	55,612
Capital assets:			
Non-depreciable	648,903	19,912	668,815
Depreciable, net	1,821,118	1,196,666	3,017,784
Total Assets	3,238,638	2,193,552	5,432,190
Liabilities:			
Accounts payable	45,076	25,130	70,206
Liabilities payable from restricted assets	-	55,612	55,612
Long-term liabilities:			
Due within one year	132,887	-	132,887
Due in more than one year	728,979	12,603	741,582
Total Liabilities	906,942	93,345	1,000,287
Net Assets:			
Invested in capital assets, net of related debt	1,627,086	1,216,578	2,843,664
Unrestricted	704,610	883,629	1,588,239
Total Net Assets	\$ 2,331,696	\$ 2,100,207	\$ 4,431,903

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

SPRING LAKE IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

<u>Function/Program</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 167,861	\$ 175,518	\$ -	\$ -
Physical environment	541,990	559,514	-	-
Transportation	93,445	107,579	-	-
Parks and recreation	90,024	107,981	-	-
Interest on long-term liabilities	64,012	198,000	-	-
Total Governmental Activities	957,332	1,148,592	-	-
Business-Type Activities:				
Water utility	491,850	506,620	-	-
Lot mowing	141,067	176,667	-	-
Total Business-Type Activities	632,917	683,287	-	-
Total Government	\$ 1,590,249	\$ 1,831,879	\$ -	\$ -

General Revenues:

Investment earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - October 1, 2010

Net Assets - September 30, 2011

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

Net (Expense) Revenue and Changes In Net Assets

Governmental Activities	Business-type Activities	Total
\$ 7,657	\$ -	\$ 7,657
17,524	-	17,524
14,134	-	14,134
17,957	-	17,957
133,988	-	133,988
191,260	-	191,260
-	14,770	14,770
-	35,600	35,600
-	50,370	50,370
191,260	50,370	241,630
4,390	7,473	11,863
5,398	-	5,398
6,190	(6,190)	-
15,978	1,283	17,261
207,238	51,653	258,891
2,124,458	2,048,554	4,173,012
\$ 2,331,696	\$ 2,100,207	\$ 4,431,903

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

SPRING LAKE IMPROVEMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
SEPTEMBER 30, 2011

	General Fund
Assets	
Cash and cash equivalents	\$ 762,520
Accounts receivable	2,167
Prepaid expenses	2,062
Investments	2,164
Total Assets	\$ 768,913
 Liabilities and Fund Balances	
Liabilities:	
Accounts payable	\$ 45,076
Due to other funds	296
Total Liabilities	45,372
 Fund Balances:	
Nonspendable - Prepaid expenses	2,062
Nonspendable - Long term investments	2,164
Unassigned	719,315
Total Fund Balances	723,541
 Total Liabilities and Fund Balances	 \$ 768,913

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

SPRING LAKE IMPROVEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

Fund Balances - Total Governmental Fund \$ 723,541

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

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

Capital assets, non-depreciable	648,903
Capital assets, depreciable - net	1,821,118

Some liabilities are not due and payable in the current period and therefore, are not reported as liabilities in the funds.

Those liabilities consist of:

Due within one year	(132,887)
Due in more than one year	(728,979)

Net Assets of Governmental Activities	\$ 2,331,696
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The notes to the financial statements are an integral part of this statement.

SPRING LAKE IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	General Fund
Revenues:	
Special assessments	\$ 1,068,468
Street lighting	75,771
Parks and recreation	4,353
Investment earnings	4,390
Miscellaneous	5,398
Total Revenues	1,158,380
Expenditures:	
General government	166,425
Physical environment:	
Drainage	451,518
Transportation:	
Street lighting	93,445
Parks and recreation	69,493
Debt service:	
Principal	123,853
Interest	64,012
Capital outlay	66,446
Total Expenditures	1,035,192
Excess of Revenues Over Expenditures	123,188
Other Financing Sources	
Operating transfers in	6,190
Total Other Financing Sources	6,190
Net Change in Fund Balances	129,378
Fund Balances - October 1, 2010	594,163
Fund Balances - September 30, 2011	\$ 723,541

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

SPRING LAKE IMPROVEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT
OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Net Change in Fund Balance - Total Governmental Fund \$ 129,378

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

Governmental funds report capital outlay as 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	66,446
Depreciation expense	(114,499)

Some expenses reported in the Statement of Activities
do not require the use of current financial resources, and
therefore, are not reported as expenditures in governmental funds.

This activity consists of:

Change in compensated absences	2,060
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Repayment of principal is an expenditure in the governmental
funds, but the repayment reduces long-term liabilities
in the Statement of Net Assets and does not affect the
Statement of Activities. These amounts are:

Debt repayments	123,853
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Change in Net Assets of Governmental Activities	\$ 207,238
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The notes to the financial statements are an integral part of this statement.

SPRING LAKE IMPROVEMENT DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2011

	Enterprise Funds		
	Water	Lot Mowing	Total
Assets			
Current Assets:			
Cash and cash equivalents	\$ 750,606	\$ 98,581	\$ 849,187
Accounts receivable	60,893	-	60,893
Prepaid expenses	1,342	247	1,589
Due from other funds	296	-	296
Total Current Assets	813,137	98,828	911,965
Noncurrent Assets:			
Investments	9,012	385	9,397
Restricted asset - cash and cash equivalents	55,612	-	55,612
Capital assets - net	1,152,864	63,714	1,216,578
Total Noncurrent Assets	1,217,488	64,099	1,281,587
Total Assets	2,030,625	162,927	2,193,552
Liabilities			
Current Liabilities:			
Accounts payable	24,167	963	25,130
Customer deposits	55,612	-	55,612
Total Current Liabilities	79,779	963	80,742
Noncurrent Liabilities:			
Compensated absences	11,192	1,411	12,603
Total Noncurrent Liabilities	11,192	1,411	12,603
Total Liabilities	90,971	2,374	93,345
Net Assets			
Invested in capital assets, net of related debt	1,152,864	63,714	1,216,578
Unrestricted	786,790	96,839	883,629
Total Net Assets	\$ 1,939,654	\$ 160,553	\$ 2,100,207

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

SPRING LAKE IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Enterprise Funds		
	Water	Lot Mowing	Total
Operating Revenues:			
Charges for services	\$ 506,185	\$ 176,667	\$ 682,852
Operating Expenses:			
Employee compensation and benefits	232,722	66,851	299,573
Contract services	15,998	8,667	24,665
Other operating expenses	64,998	27,059	92,057
Repairs and maintenance	41,180	4,486	45,666
Office expense	27,326	8,318	35,644
Depreciation	109,626	25,686	135,312
Total Operating Expenses	491,850	141,067	632,917
Operating Income	14,335	35,600	49,935
Nonoperating Revenue:			
Impact fees	435	-	435
Investment earnings	6,886	587	7,473
Total Nonoperating Revenue	7,321	587	7,908
Income Before Transfers	21,656	36,187	57,843
Transfers out	(6,190)	-	(6,190)
Change in Net Assets	15,466	36,187	51,653
Total Net Assets - October 1, 2010	1,924,188	124,366	2,048,554
Total Net Assets - September 30, 2011	\$ 1,939,654	\$ 160,553	\$ 2,100,207

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

SPRING LAKE IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Enterprise Funds		
	Water	Lot Mowing	Total
Cash Flows From Operating Activities:			
Cash received from customers	\$ 495,369	\$ 176,667	\$ 672,036
Cash payments to suppliers for goods and services	(127,449)	(47,652)	(175,101)
Cash payments for employee services and benefits	(233,724)	(69,062)	(302,786)
Net Cash Provided by Operating Activities	134,196	59,953	194,149
Cash Flows From Non-Capital Financing Activities:			
Payments from General Fund	(6,486)	-	(6,486)
Payments (to) from Other Fund	50,000	(50,000)	-
Net Cash Provided (Used) by Non-Capital Financing Activities	43,514	(50,000)	(6,486)
Cash Flows From Capital and Related Financing Activities:			
Acquisition of capital assets	(77,761)	-	(77,761)
Capital contributions received	435	-	435
Net Cash Used by Capital and Related Financing Activities	(77,326)	-	(77,326)
Cash Flows From Investing Activities:			
Interest on investments	5,389	523	5,912
Proceeds from maturity of investments in Fund B	3,085	132	3,217
Net Cash Provided by Investing Activities	8,474	655	9,129
Net Increase in Cash and Cash Equivalents	108,858	10,608	119,466
Cash and Cash Equivalents - October 1, 2010	697,360	87,973	785,333
Cash and Cash Equivalents - September 30, 2011	\$ 806,218	\$ 98,581	\$ 904,799
Cash and Cash Equivalent classified as:			
Current assets	\$ 750,606	\$ 98,581	\$ 849,187
Restricted assets	55,612	-	55,612
Total Cash and Cash Equivalents	\$ 806,218	\$ 98,581	\$ 904,799

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

SPRING LAKE IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:

	Enterprise Funds		
	Water	Lot Mowing	Total
Operating Income	\$ 14,335	\$ 35,600	\$ 49,935
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	109,626	25,686	135,312
Change in operating assets and liabilities:			
Increase in accounts receivable	(7,735)	-	(7,735)
Decrease in prepaid items	447	241	688
Increase in accounts payable	21,606	637	22,243
Decrease in compensated absences	(1,002)	(2,211)	(3,213)
Decrease in customer deposits	(3,081)	-	(3,081)
Net Cash Provided by Operating Activities	\$ 134,196	\$ 59,953	\$ 194,149

Supplemental disclosure of noncash investing activities:

Change in Fair Value of Fund B	1,497	64	1,561
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The notes to the financial statements are an integral part of this statement.

SPRING LAKE IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies and the presentation of the financial report of Spring Lake Improvement District (the District) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. This report, the accounting systems, and classification of accounts conform to standards of the Governmental Accounting Standards Board (GASB).

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

A. Reporting Entity

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.

B. Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net assets 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 assets 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.

The statement of net assets 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 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.

SPRING LAKE IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

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 assets, 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.

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.

C. 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.

SPRING LAKE IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (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.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, the District follows GASB Statements and all the Financial Accounting Standards Board Statements issued before November 30, 1989, except those that conflict with a GASB pronouncement, in accounting for enterprise funds and business-type activities.

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 nonoperating revenue. 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.

D. 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.

E. Investments

In accordance with the provisions of GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," the District reports investments at their fair value on the balance sheet with unrealized gains and losses credited to investment income. 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.

F. Prepaid Items

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

SPRING LAKE IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

G. Maintenance Assessments

Maintenance assessments for the current fiscal year (beginning October 1, 2010) were assessed on September 8, 2010 based on the approved budget. The assessments are billed in the month of November 2010 by the Highlands County Tax Collector who remits collected taxes to the District monthly. Assessments are due November 1, 2010 and become delinquent April 1, 2011. Tax certificates are sold for delinquent assessments by June 1, 2011. Generally, the District collects substantially all of its current year assessments during the year in which they are due. No accrual for the assessments levy becoming due in November 2011 is included in the accompanying financial statements since such assessments are collected to finance expenditures of the next fiscal year.

H. 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.

I. 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 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:

Buildings	10 to 40 years
Plant and Improvements Other than Buildings	5 to 40 years
Equipment	5 to 15 years
Infrastructure	20 to 40 years

SPRING LAKE IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

J. Interfund Receivables and Payables

During the course of operations, transactions occur between individual funds for services rendered. Short-term interfund loans are classified as “due to/from other funds.” All short-term interfund receivables and payables are planned to be eliminated shortly after year end. Long-term interfund loans are classified as “advances to/from other funds.” Any short-term balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

K. 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.

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.

L. Long-Term Debt

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

M. 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.

N. Government-wide and Proprietary Fund Net Assets

Government-wide and proprietary fund net assets are divided into three categories:

- Invested in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding and was used to finance those assets.
- Restricted net assets – 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 assets are reported in this category.

SPRING LAKE IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

O. Governmental Fund Balances

At the beginning of the fiscal year, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are not in spendable form (such as prepaid expenses or long term investments) or are required to be maintained intact.
- Restricted fund balance—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 fund balance—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 fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the Board members.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Beginning fund balances for the District's governmental funds have been restated to reflect the above classifications.

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 2 - DEPOSITS 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, 2011, consist of:

Petty cash and change funds	\$ 100
Florida PRIME	12,568
Demand deposits	<u>1,654,651</u>
 Total cash and cash equivalents	 <u><u>\$ 1,667,319</u></u>

SPRING LAKE IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 2 - DEPOSITS AND INVESTMENTS (continued):

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 has been classified as cash and cash equivalents.

The District's investment in the Florida PRIME (a 2a-7 like pool) is recorded at amortized cost.

The District's investment in the Fund B Surplus Funds Trust Fund took place on December 4, 2007, when the SBA restructured the LGSF Pool. Fund B consists of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk. The investment objective for Fund B is to maximize the present value of distributions to the participants, therefore Fund B investments were not liquid. Fund B is accounted for as a fluctuating net asset value pool and is, therefore, classified as an investment. The fair value factor for Fund B at September 30, 2011 is 75.7%. As of September 30, 2011 the District had \$11,561 of funds invested in the LGSF Fund B.

The Florida PRIME is rated by Standard and Poors with a rating at September 30, 2011 of AAAM. The Fund B has not been rated for credit risk quality by a nationally recognized statistical rating agency as of September 30, 2011.

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, 2011 was 38 days, and the weighted average life (WAL) of Fund B as of September 30, 2011 is estimated at 4.82 years. However, because Fund B consists of restructured or defaulted securities, there is considerable uncertainty regarding the weighted average life.

NOTE 3 – RECEIVABLES:

Receivables at September 30, 2011 in the governmental activities are comprised of accounts receivable from customers of \$2,167 and the business-type activities is comprised of accounts receivable from customers of \$110,610, less an allowance for uncollectible accounts of \$49,717.

SPRING LAKE IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES:

Individual interfund receivable and payable balances at September 30, 2011, were as follows:

	Receivable Amount	Payable Amount
Primary Government:		
General Fund	\$ 296	\$ -
Water Fund	-	296
Lot Mowing Fund	-	-
Totals	\$ 296	\$ 296

- The payable from the Water Fund to the General Fund represents revenues collected but not yet transferred.

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2011, were as follows:

	Transfers Out	Transfers In
Primary Government:		
General Fund	\$ -	\$ 6,190
Water Fund	6,190	-
Lot Mowing Fund	-	-
Totals	\$ 6,190	\$ 6,190

- 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 THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 6 - CAPITAL ASSETS:

A. Changes in Capital Assets

Capital asset activity for the year ended September 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 636,005	\$ -	\$ -	\$ 636,005
Construction in progress	-	12,898	-	12,898
Total capital assets not being depreciated	636,005	12,898	-	648,903
Capital assets, being depreciated:				
Buildings	537,191	20,522	-	557,713
Infrastructure	2,669,955	27,992	-	2,697,947
Equipment	309,943	5,034	-	314,977
Total capital assets being depreciated	3,517,089	53,548	-	3,570,637
Less accumulated depreciation for:				
Buildings	165,754	25,893	-	191,647
Infrastructure	1,304,469	55,257	-	1,359,726
Equipment	164,797	33,349	-	198,146
Total accumulated depreciation	1,635,020	114,499	-	1,749,519
Total capital assets being depreciated, net	1,882,069	(60,951)	-	1,821,118
Governmental Activities Capital Assets, Net	\$ 2,518,074	\$ (48,053)	\$ -	\$ 2,470,021
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 7,014	\$ -	\$ -	\$ 7,014
Construction in progress	-	12,898	-	12,898
Total capital assets not being depreciated	7,014	12,898	-	19,912
Capital assets, being depreciated:				
Buildings	262,992	15,362	-	278,354
Water system	2,571,652	44,469	-	2,616,121
Equipment	342,525	5,031	-	347,556
Total capital assets being depreciated	3,177,169	64,862	-	3,242,031
Less accumulated depreciation for:				
Buildings	88,804	6,928	-	95,732
Water system	1,637,732	88,535	-	1,726,267
Equipment	183,517	39,849	-	223,366
Total accumulated depreciation	1,910,053	135,312	-	2,045,365
Total capital assets being depreciated, net	1,267,116	(70,450)	-	1,196,666
Business-Type Activities Capital Assets, Net	\$ 1,274,130	\$ (57,552)	\$ -	\$ 1,216,578

SPRING LAKE IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 6 – CAPITAL ASSETS: (continued)

Depreciation expense was charged to governmental functions as follows:

Physical environment	\$ 92,731
Parks and recreation	<u>21,768</u>
Total	<u>\$ 114,499</u>

Depreciation expense was charged to business-type functions as follows:

Water	\$109,626
Lot mowing	<u>25,686</u>
Total	<u>\$ 135,312</u>

NOTE 7- RESTRICTED ASSETS:

The balances of the restricted asset account for business-type activities consist of customer deposits of \$55,612.

NOTE 8 – RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee liability; and natural disasters. These risks are covered by commercial insurance from independent third parties. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 9 – LINE OF CREDIT:

The District maintains a \$750,000 renewable line of credit agreement with Highlands Independent Bank. The variable rate line of credit has a term of one year, with the current renewal terminating on July 2, 2012. The interest rate is based on prime and adjusts on a daily basis. During the year, the District had no draws on the line and no balance was outstanding at the end of the fiscal year.

NOTE 10 – PLEDGED REVENUES:

The District has pledged future revenues derived from the assessment of the “maintenance tax levy” (designated as 10 year capital loan) to repay a loan in the amount of \$536,981. Proceeds from the loan provided financing for capital acquisitions. The loan is payable solely from the assessment and is payable through 2018. The total principal and interest remaining to be paid is \$679,498 with annual payments expected to require 99% of the pledged revenues. Principal and interest payments for the current year were \$97,072, and the current year assessment designated as 10 year capital loan was \$98,000.

The District has also pledged future revenues derived from the assessment of the “operational and maintenance assessment designated as conceptual permit compliance” to repay a loan in the amount of \$305,954. Proceeds from the loan provided financing for land acquisitions. The loan is payable solely from the assessments and is payable through 2015. The total principal and interest remaining to be paid is \$363,176 with annual payments expected to require 91% of the pledged revenues. Principal and interest payments for the current year were \$90,794, and the current year assessment for conceptual permit compliance was \$100,000.

SPRING LAKE IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 11 – LONG-TERM LIABILITIES:

A. Long-term liability activity for the year ended September 30, 2011 as follows:

	Beginning			Ending	Amounts
	Balance	Additions	Reductions	Balance	Due within
					One Year
Governmental Activities:					
Loan payable	\$ 596,788	\$ -	\$ 59,807	\$536,981	\$ 69,377
Note payable	370,000	-	64,046	305,954	63,510
Compensated absences	20,991	14,396	16,456	18,931	-
Total Governmental Activities	<u>\$ 987,779</u>	<u>\$ 14,396</u>	<u>\$ 140,309</u>	<u>\$861,866</u>	<u>\$ 132,887</u>
Business-Type Activities:					
Compensated absences	\$ 15,816	\$ 11,768	\$ 14,981	\$ 12,603	\$ -
Total Business-Type Activities	<u>\$ 15,816</u>	<u>\$ 11,768</u>	<u>\$ 14,981</u>	<u>\$ 12,603</u>	<u>\$ -</u>

B. The loan payable for governmental activities at September 30, 2011 is as follows:

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 \$97,072, including interest, with the final payment due September 27, 2018, and secured by a pledge of the Assessment for the Maintenance Tax Levy.

C. The note payable for governmental activities at September 30, 2011 is as follows:

A promissory note payable in the amount of \$370,000 with an interest rate of 7.0% is dated March 11, 2010, due in 5 annual installments of \$90,794, including interest, with the final payment due March 11, 2015, and secured by a pledge of the District’s Operational and Maintenance Assessment designated as “Conceptual Permit Compliance” levied on District lands.

D. Debt service requirements to maturity for loans payable:

Years Ending September 30,	Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 132,887	\$ 54,978	\$ 187,865
2013	141,713	46,152	187,865
2014	151,127	36,738	187,865
2015	159,092	28,773	187,865
2016	80,939	16,132	97,071
2017-2018	177,177	16,966	194,143
	<u>\$ 842,935</u>	<u>\$ 199,739</u>	<u>\$1,042,674</u>

For the fiscal year ending September 30, 2011, total interest expense entity-wide was \$64,012. In the governmental activities, interest expense amounted to \$64,012 and was incurred for the capital

SPRING LAKE IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

loan and property acquisition note.

NOTE 12– COMMITMENTS:

A. Storm Water Management System

The District has been working with the South Florida Water Management District (SFWMD) since November 2005 to update its storm water management system to comply with current SFWMD water quality requirements. To meet these requirements, the District will need to acquire additional land to be used for water retention (water quality treatment capacity).

B. Operating Leases

The District became obligated under a certain lease accounted for as an operating lease. This operating lease is for a vehicle used in governmental activities. Total lease expenditures for the year ended September 30, 2011 were \$4,566. The following is a schedule by year for future minimum rental payments:

<u>Fiscal Year</u>	<u>Amount</u>
2012	4,566
2013	4,187
Total	<u><u>\$8,753</u></u>

NOTE 13 – 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 \$21,696, and \$18,701 for the years ended September 30, 2011 and 2010 respectively.

SPRING LAKE IMPROVEMENT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011
(UNAUDITED)

	<u>Budget Amounts</u>			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
Revenues:				
Special assessments	\$ 1,153,636	\$ 1,153,636	\$ 1,068,468	\$ (85,168)
Street lighting	76,650	76,650	75,771	(879)
Parks and recreation	4,353	4,353	4,353	-
Investment Earnings	2,000	2,000	4,390	2,390
Miscellaneous	19,608	19,608	5,398	(14,210)
Total Revenues	<u>1,256,247</u>	<u>1,256,247</u>	<u>1,158,380</u>	<u>(97,867)</u>
Expenditures:				
General government	175,518	188,095	166,425	<u>21,670</u>
Physical environment:				
Drainage	582,320	616,029	451,518	164,511
Transportation:				
Street lighting	109,500	109,500	93,445	16,055
Parks and recreation	92,493	92,307	69,493	22,814
Debt service:				
Principal	125,000	125,000	123,853	1,147
Interest	73,000	73,000	64,012	8,988
Capital outlay	104,606	81,608	66,446	15,162
Total Expenditures	<u>1,262,437</u>	<u>1,285,539</u>	<u>1,035,192</u>	<u>250,347</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(6,190)</u>	<u>(29,292)</u>	<u>123,188</u>	<u>152,480</u>
Other Financing Sources (Uses)				
Debt proceeds	-	23,102	-	(23,102)
Operating transfers in	6,190	6,190	6,190	-
Total Other Financing Sources (Uses)	<u>6,190</u>	<u>29,292</u>	<u>6,190</u>	<u>(23,102)</u>
Net Change in Fund Balance	-	-	129,378	129,378
Fund Balance - October 1, 2010	594,163	594,163	594,163	-
Fund Balance - September 30, 2011	<u>\$ 594,163</u>	<u>\$ 594,163</u>	<u>\$ 723,541</u>	<u>\$ 129,378</u>

See Independent Auditor's Report and accompanying note to budgetary comparison schedule.

SPRING LAKE IMPROVEMENT DISTRICT
NOTES TO BUDGETARY COMPARISON SCHEDULE
SEPTEMBER 30, 2011

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

For the year ended September 30, 2011, the District's available budget exceeded its expenditures.

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 Charles P. Cox, C.P.A.

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
 Sebring, Florida

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Spring Lake Improvement District as of and for the year ended September 30, 2011, which collectively comprise the Spring Lake Improvement District's basic financial statements and have issued our report thereon dated February 8, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Spring Lake Improvement District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Spring Lake Improvement District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider deficiency 2009-2 to be a material weakness.

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 of those charged with governance. We consider deficiency 2008-1 to be a significant deficiency.

Board of Supervisors (continued)

2008-1 Lack of Segregation of Duties

Criteria: A good system of internal control provides for a proper segregation of the accounting functions.

Condition: The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties.

Context: This condition was noted during the documentation of internal controls.

Effect: When inadequate segregation of duties exists, there is an increase in the risk of fraud.

Cause: The District has only two individuals who work within the Accounting function.

Recommendation: We recommend management review, on an ongoing basis, the assignments of the employees and segregate duties where possible.

Planned Corrective Action: Management agrees with this recommendation, and will continue to review staff assignments regularly. In addition, the Board of Supervisors will continue to oversee and review all financial transactions.

2009-2, Financial Statements

Criteria: Internal controls over financial reporting are necessary to ensure that those charged with the responsibility for financial reporting have the skills and knowledge needed to apply GAAP in recording the District's financial transactions and preparing its financial statements and related notes.

Condition: The District does not have personnel with sufficient technical knowledge and training to prepare financial statements in accordance with GAAP.

Context: The District's accounting and financial reporting functions are handled by employees that don't have the training to record transactions and prepare financial statements and related footnotes in accordance with GAAP. Also, the complexity of the District's accounting and financial reporting has increased over the past several years.

Effect: This weakness resulted in material misstatements in accordance with GAAP in the trial balance originally presented for audit.

Cause: Due to the limited resources of the District, there is currently no staff member with the technical knowledge and training to prepare financial statements in accordance with GAAP.

Recommendation: We recommend that the District consider engaging an accountant or additional employee with expertise in governmental accounting to work on the preparation of the year end financial statement and related notes.

Planned Corrective Action: Staff is currently obtaining additional training in GAAP accounting and reporting and intends to post fixed asset related and other material journal entries before the trial balance is presented for audit.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 a direct and material effect on the determination of financial statement amounts.

Board of Supervisors (continued)

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*.

We noted certain matters that we reported to management of Spring Lake Improvement District in a separate letter dated February 8, 2012.

Spring Lake Improvement District's response to the findings identified in our audit is described above. We did not audit Spring Lake Improvement District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the members of the Board of Supervisors, management, and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Wicks, Brown, Williams & Co.

Wicks, Brown, Williams & Co.

February 8, 2012

Wicks, Brown, Williams & Co.

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MANAGEMENT LETTER

Board of Supervisors
Spring Lake Improvement District
Sebring, Florida

We have audited the financial statements of the Spring Lake Improvement District, as of and for the year ended September 30, 2011, and have issued our report thereon dated February 8, 2012.

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. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in that report, which is dated February 8, 2012, should be considered in conjunction with this management letter.

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

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

Finding 2008-1, Lack of Segregation of Duties and Finding 2009-2, Financial Statements (relating to the District's inability to prepare financial statements resulting in material misstatements in the original trial balance presented for audit) were reported again this year in the Report on Internal Control over Financial Reporting and Other Matters. These findings were included in each of the two preceding financial audit reports.

The prior year finding ML10-1, Water Bill Adjustments Approval, was reported again this year.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Spring Lake Improvement District complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., 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.



Board of Supervisors (continued)

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of 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 more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse; and (2) deficiencies in internal control that are not significant deficiencies. Our audit disclosed the following matters that are required to be disclosed by Rules of the Auditor General (Section 10.554(1)(i)5.):

ML 10-1, Water Bill Adjustments Approval

Condition: For the year ended September 30, 2011, there were several instances where documentation was not available supporting water bill adjustments, and there was no evidence of approval of every adjustment, by someone other than the employee who created and recorded them.

Criteria: All water bill adjustments posted to system should have supporting documentation and approval.

Effect: During water bill adjustments testing, we were not able to review documentation for all adjustments to determine whether adjustments were properly supported or approved.

Cause: The District is not maintaining a record of all water bill adjustments posted to the system.

Recommendation: As noted in the prior year, the District should maintain a notebook of all water bill adjustments posted during the year, which includes a printout of every customer adjustment and the documentation supporting the adjustment. In addition, all adjustments should be reviewed and approved by the water department supervisor before they are posted to the system.

Management's Response: Staff has made significant efforts to correct this prior year audit finding by implementing a new policy regarding water bill adjustments. Documentation for every water bill adjustment is maintained in a notebook, with small adjustments, such as late fees, approved by the District Administrator, and large adjustments, such as leaks, approved by the Assistant District Manager/Water Department Supervisor. The exceptions that were found during the audit occurred before and shortly after the new policy was implemented. Due to staff training and reorganization, management does not expect any exceptions in the future.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The name and legal authority for the District were disclosed in the notes to the financial statements. There were no component units related to the District.

10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Spring Lake Improvement District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Board of Supervisors (continued)

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Spring Lake Improvement District for the fiscal year ended September 30, 2011, 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, 2011. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial 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.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, the Board of Supervisors, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to have been of service to you and the District. Should you have any questions about our recommendations, this letter, or other matters, please contact us at your convenience.

Wicks, Brown, Williams & Co.

Wicks, Brown, Williams & Co.

February 8, 2012