

SPRING LAKE IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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SPRING LAKE IMPROVEMENT DISTRICT
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SEPTEMBER 30, 2012

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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, 2012, 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, 2012, and the respective changes in financial position and, where applicable, cash flows 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 13, 2013, 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, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Wicks, Brown, Williams & Co.

Wicks, Brown, Williams & Co.

February 13, 2013

SPRING LAKE IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012
(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, 2012. This discussion and analysis should be read in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- In 2012 the District's net assets increased by \$250,690 (or 6%). The governmental net assets increased by \$168,592 (or 7%) and the business-type net assets increased \$82,098 (or 4%).
- Comparing FY 2012 with FY 2011 the governmental activities revenue decreased \$40,350 (or 4%) and the net results from activities decreased by \$38,646 (or 23%).
- Comparing FY 2012 with FY 2011 the business-type revenue increased by \$51,912 (or 7%) and the net results from activities increased by \$30,445 (or 370%).
- In 2012, the District's capital assets (net of depreciation) decreased by \$57,889 (or 2%). The governmental capital assets increased by \$7,996 (or 1%) and the business-type capital assets decreased by \$65,885 (or 6%).

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, 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 and lot mowing operations are reported here.

SPRING LAKE IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012
(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, 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 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.

SPRING LAKE IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012
(UNAUDITED)

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.

	Statement of Net Assets					
	Governmental Activities		Business-type Activities		Totals	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$776,552	\$768,617	\$1,108,272	\$976,974	\$1,884,824	\$1,745,591
Capital assets	2,478,017	2,470,021	1,150,693	1,216,578	3,628,710	3,686,599
Total assets	<u>3,254,569</u>	<u>3,238,638</u>	<u>2,258,965</u>	<u>2,193,552</u>	<u>5,513,534</u>	<u>5,432,190</u>
Long-term liabilities	588,067	728,979	15,460	12,603	603,527	741,582
Other liabilities	166,214	177,963	61,200	80,742	227,414	258,705
Total liabilities	<u>754,281</u>	<u>906,942</u>	<u>76,660</u>	<u>93,345</u>	<u>830,941</u>	<u>1,000,287</u>
Net assets:						
Invested in capital assets						
net of related debt	1,767,933	1,627,087	1,150,693	1,216,578	2,918,626	2,843,665
Unrestricted	732,355	704,609	1,031,612	883,629	1,763,967	1,588,238
Total net assets	<u>\$2,500,288</u>	<u>\$2,331,696</u>	<u>\$2,182,305</u>	<u>\$2,100,207</u>	<u>\$4,682,593</u>	<u>\$4,431,903</u>

Governmental Activities

There were no significant fluctuations in assets. Other government liabilities decreased by \$11,749 due to a decrease in accounts payable. The decrease in long-term liabilities is the result of current year debt service payments. The increase in governmental net assets of \$168,592 is the result of revenues exceeding expenditures in the current year due to assessments levied for debt service payments.

Business – Type Activities

The decrease in other liabilities relates to a decrease in accounts payable. The increase in business-type net assets of \$82,098 was primarily due to increase of revenue from home foreclosures selling and outstanding liens getting paid off.

SPRING LAKE IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012
(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					
	Governmental Activities		Business-type Activities		Totals	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,126,455	\$ 1,148,592	\$ 733,218	\$ 683,287	\$ 1,859,673	\$ 1,831,879
General revenues:						
Investment earnings	3,375	4,390	6,306	7,473	9,681	11,863
Miscellaneous	36	5,398	-	-	36	5,398
Gain (loss) on sale of capital assets	(11,836)	-	3,148	-	(8,688)	-
Total revenues	<u>1,118,030</u>	<u>1,158,380</u>	<u>742,672</u>	<u>690,760</u>	<u>1,860,702</u>	<u>1,849,140</u>
Expenses:						
General government	180,200	167,861	-	-	180,200	167,861
Physical environment	540,329	541,990	-	-	540,329	541,990
Transportation	93,192	93,445	-	-	93,192	93,445
Parks and recreation	86,892	90,024	-	-	86,892	90,024
Interest on long-term liabilities	55,015	64,012	-	-	55,015	64,012
Water utility	-	-	504,383	491,850	504,383	491,850
Lot mowing	-	-	150,001	141,067	150,001	141,067
Total expenses	<u>955,628</u>	<u>957,332</u>	<u>654,384</u>	<u>632,917</u>	<u>1,610,012</u>	<u>1,590,249</u>
Transfers	6,190	6,190	(6,190)	(6,190)	-	-
Increase in net assets	168,592	207,238	82,098	51,653	250,690	258,891
Net assets-October 1	<u>2,331,696</u>	<u>2,104,458</u>	<u>2,100,207</u>	<u>2,048,554</u>	<u>4,431,903</u>	<u>4,153,012</u>
Net assets-September 30	<u>\$ 2,500,288</u>	<u>\$ 2,311,696</u>	<u>\$ 2,182,305</u>	<u>\$ 2,100,207</u>	<u>\$ 4,682,593</u>	<u>\$ 4,411,903</u>

Governmental Activities

Special assessments were decreased in both Parks and Street Lighting in the current year. Assessments are based on actual expenses of the prior year. The District spent \$56,500 in engineering with the majority of these costs being associated with the Drainage Water Control Plan and conceptual permit application process. The District spent \$8,250 for grass carp which are used in the District's canal system for aquatic weed control. The District spent \$43,886 in legal costs associated with the referendum required by the State Legislature in adopting House Bill 2012-1495, and legal costs associated with the USDA loan application process.

Business – Type Activities

The increase in total business-type revenues was the result of an increase in water billings due to a rate increase. There were no significant fluctuations in expenses.

SPRING LAKE IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012
(UNAUDITED)

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 \$1.08 per unit, expenses increased \$72,923 (or 7%) and revenues decreased by \$27,948 (or 3%). Assessment collections were down 1% from the prior fiscal year.

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 increased \$14,236 (or 8%). The increase was attributable to updating expense allocations.

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 \$42,395 (or 10%). The decrease in Drainage expenses relates to prior year expenses for the FEMA levy certification.

Parks and Recreation- includes all District parks, tennis court and community center increased costs \$3,417 (or 5%). This increase is associated with increased maintenance costs and capital outlay purchases.

Street Lighting- provides street lights located throughout the District. Costs decreased \$253 (or less than 1%).

Mosquito Control- provides a mosquito control program within areas of the District. The Districts Mosquito control program was eliminated in 2011 with the referendum failure of the Charter Revision. This issue was re-addressed in 2012. House Bill 2012-1495 Section 3 required that the District conduct a referendum of landowners voting on a one-acre one-vote basis on the question of granting the District the power to provide mosquito control services. A referendum was conducted and the results were favorable to conduct the Mosquito Control program. The District re-instated the program and expenses for the year were \$24,603.

Capital Outlay- 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. When compared to last years' capital outlay purchases, expenses increased \$73,315 (or 53%). The District spent \$43,886 for land acquisition for the water control plan. The final phase of the SCADA system at the pump station was also completed and a security system was installed at the District Offices and Parks facilities.

SPRING LAKE IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012
(UNAUDITED)

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 \$21,467 (or 4%) and revenues increased \$50,366 (or 7%).

Water System- The District's water system revenues increased by \$51,073 from the prior year. A rate increase effective 10-1-2011 as well as an increase in outstanding collections on foreclosed properties contributed to this increase. The District's water system expenses increased by \$12,533.

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 decreased \$707 (or 1%). Collections were at 85% for FY 2012. Expenses increased \$8,934 (or 6%).

GENERAL FUND BUDGETARY HIGHLIGHTS

The change between the original and final budgetary appropriations amounted to an increase of \$73,015 "for expenditures" after appropriations. This increase was due to budgeting for additional drainage and mosquito control expenses.

There was a negative variance for revenue when compared to the final budget of \$105,921 which resulted from assessment collections being down.

There was a positive variance with final budget for total expenditures of \$202,886. This resulted from total expenditures being less than anticipated, particularly in Drainage.

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

Long-term Debt – At the end of the fiscal year, the District's total long-term debt outstanding in the governmental fund is \$729,777, a decrease of \$132,089. 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 \$141,710. The only long-term debt in the business type activities is \$15,460 for compensated absences.

**SPRING LAKE IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012
(UNAUDITED)**

Capital Assets – The District’s investment in capital assets for its governmental and business-type activities as of September 30, 2012 amounts to \$3,628,710. This investment in capital assets includes land, buildings, infrastructure, vehicles, equipment, and water system improvements.

Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Totals	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 686,414	\$ 636,005	\$ 7,014	\$ 7,014	\$ 693,428	\$ 643,019
Const. In Progress	-	12,898	-	12,898	-	25,796
Buildings	156,924	366,066	177,523	182,622	334,447	548,688
Infrastructure	1,450,820	1,338,221	-	-	1,450,820	1,338,221
Water System	-	-	807,596	889,854	807,596	889,854
Equipment	183,859	116,831	158,560	124,190	342,419	241,021
Total	\$2,478,017	\$2,470,021	\$1,150,693	\$1,216,578	\$3,628,710	\$3,686,599

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

The following factors were considered in preparing the District’s budget for the 2012-2013 fiscal year:

The Board of Supervisors of the Spring Lake Improvement District adopted an operating budget in the amount of \$304.78 per assessment unit, which is \$0.87 more than the 2011-2012 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 added back to the assessment roll. House Bill 2012-1495 was approved by the Governor on April 6, 2012 and a referendum was conducted with a favorable outcome.

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, 2012

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 769,908	\$ 991,227	\$ 1,761,135
Receivables	845	54,263	55,108
Internal balances	1,520	(1,520)	-
Prepays	2,046	1,889	3,935
Investments	2,233	9,696	11,929
Restricted asset - cash and cash equivalents	-	52,717	52,717
Capital assets:			
Non-depreciable	686,414	7,014	693,428
Depreciable, net	1,791,603	1,143,679	2,935,282
Total Assets	3,254,569	2,258,965	5,513,534
Liabilities:			
Accounts payable	24,504	8,483	32,987
Liabilities payable from restricted assets	-	52,717	52,717
Long-term liabilities:			
Due within one year	141,710	-	141,710
Due in more than one year	588,067	15,460	603,527
Total Liabilities	754,281	76,660	830,941
Net Assets:			
Invested in capital assets, net of related debt	1,767,933	1,150,693	2,918,626
Unrestricted	732,355	1,031,612	1,763,967
Total Net Assets	\$ 2,500,288	\$ 2,182,305	\$ 4,682,593

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

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SPRING LAKE IMPROVEMENT DISTRICT
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 769,908	\$ 991,227	\$ 1,761,135
Receivables	845	54,263	55,108
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Investments	2,233	9,696	11,929
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Capital assets:			
Non-depreciable	686,414	7,014	693,428
Depreciable, net	1,791,603	1,143,679	2,935,282
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Liabilities:			
Accounts payable	24,504	8,483	32,987
Liabilities payable from restricted assets	-	52,717	52,717
Long-term liabilities:			
Due within one year	141,710	-	141,710
Due in more than one year	588,067	15,460	603,527
Total Liabilities	754,281	76,660	830,941
Net Assets:			
Invested in capital assets, net of related debt	1,767,933	1,150,693	2,918,626
Unrestricted	732,355	1,031,612	1,763,967
Total Net Assets	\$ 2,500,288	\$ 2,182,305	\$ 4,682,593

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, 2012

<u>Function/Program</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 180,201	\$ 260,141	\$ -	\$ -
Physical environment	540,329	493,454	-	-
Transportation	93,192	88,570	-	-
Parks and recreation	86,892	95,290	-	-
Interest on long-term liabilities	55,014	189,000	-	-
Total Governmental Activities	955,628	1,126,455	-	-
Business-Type Activities:				
Water utility	504,383	557,258	-	-
Lot mowing	150,001	175,960	-	-
Total Business-Type Activities	654,384	733,218	-	-
Total Government	\$ 1,610,012	\$ 1,859,673	\$ -	\$ -

General Revenues:

Investment earnings
Miscellaneous
Gain (loss) on sale of capital assets

Total General Revenues

Transfers

Change in Net Assets

Net Assets - October 1, 2011

Net Assets - September 30, 2012

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
\$ 79,940	\$ -	\$ 79,940
(46,875)	-	(46,875)
(4,622)	-	(4,622)
8,398	-	8,398
133,986	-	133,986
<u>170,827</u>	<u>-</u>	<u>170,827</u>
-	52,875	52,875
-	25,959	25,959
-	78,834	78,834
<u>170,827</u>	<u>78,834</u>	<u>249,661</u>
3,375	6,306	9,681
36	-	36
(11,836)	3,148	(8,688)
<u>(8,425)</u>	<u>9,454</u>	<u>1,029</u>
<u>6,190</u>	<u>(6,190)</u>	<u>-</u>
168,592	82,098	250,690
2,331,696	2,100,207	4,431,903
<u>\$ 2,500,288</u>	<u>\$ 2,182,305</u>	<u>\$ 4,682,593</u>

SPRING LAKE IMPROVEMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
SEPTEMBER 30, 2012

	General Fund
Assets	
Cash and cash equivalents	\$ 769,908
Accounts receivable	845
Due from other funds	1,520
Prepaid expenses	2,046
Investments	2,233
Total Assets	\$ 776,552
 Liabilities and Fund Balances	
Liabilities:	
Accounts payable	\$ 24,504
Total Liabilities	24,504
 Fund Balances:	
Nonspendable - prepaid expenses	2,046
Nonspendable - long-term investments	2,233
Assigned - subsequent years budget	23,000
Unassigned	724,769
Total Fund Balances	752,048
Total Liabilities and Fund Balances	\$ 776,552

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, 2012

Fund Balances - Total Governmental Fund \$ 752,048

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	686,414
Capital assets, depreciable - net	1,791,603

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	(141,710)
Due in more than one year	(588,067)

Net Assets of Governmental Activities \$ 2,500,288

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, 2012

	General Fund
Revenues:	
Special assessments	\$ 1,047,989
Street lighting	67,759
Mosquito control	6,089
Parks and recreation	4,618
Investment earnings	3,375
Miscellaneous	602
Total Revenues	1,130,432
Expenditures:	
General government	180,661
Physical environment:	
Drainage	409,123
Mosquito control	24,603
Transportation:	
Street lighting	93,192
Parks and recreation	72,910
Debt service:	
Principal	132,851
Interest	55,014
Capital outlay	139,761
Total Expenditures	1,108,115
Excess of Revenues Over Expenditures	22,317
Other Financing Sources	
Operating transfers in	6,190
Total Other Financing Sources	6,190
Net Change in Fund Balances	28,507
Fund Balances - October 1, 2011	723,541
Fund Balances - September 30, 2012	\$ 752,048

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, 2012

Net Change in Fund Balance - Total Governmental Fund \$ 28,507

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	139,761
Depreciation expense	(119,363)

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:

Increase in compensated absences	(762)
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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	132,851
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Revenue recognized in the Statement of Activities, but
not recognized as revenue in the fund statements:

Net book value of capital assets on disposition	(12,402)
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Change in Net Assets of Governmental Activities	\$ 168,592
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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, 2012

	Enterprise Funds		
	Water	Lot Mowing	Total
Assets			
Current Assets:			
Cash and cash equivalents	\$ 840,661	\$ 150,566	\$ 991,227
Accounts receivable	54,263	-	54,263
Prepaid expenses	1,451	438	1,889
Total Current Assets	896,375	151,004	1,047,379
Noncurrent Assets:			
Investments	9,299	397	9,696
Restricted asset - cash and cash equivalents	52,717	-	52,717
Capital assets - net	1,111,301	39,392	1,150,693
Total Noncurrent Assets	1,173,317	39,789	1,213,106
Total Assets	2,069,692	190,793	2,260,485
Liabilities			
Current Liabilities:			
Accounts payable	7,381	1,102	8,483
Due to other funds	1,520	-	1,520
Customer deposits	52,717	-	52,717
Total Current Liabilities	61,618	1,102	62,720
Noncurrent Liabilities:			
Compensated absences	13,431	2,029	15,460
Total Noncurrent Liabilities	13,431	2,029	15,460
Total Liabilities	75,049	3,131	78,180
Net Assets			
Invested in capital assets, net of related debt	1,111,301	39,392	1,150,693
Unrestricted	883,342	148,270	1,031,612
Total Net Assets	\$ 1,994,643	\$ 187,662	\$ 2,182,305

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, 2012

	Enterprise Funds		
	Water	Lot Mowing	Total
Operating Revenues:			
Charges for services	\$ 557,258	\$ 175,960	\$ 733,218
Operating Expenses:			
Employee compensation and benefits	239,885	66,223	306,108
Contract services	12,720	8,650	21,370
Other operating expenses	64,504	34,700	99,204
Repairs and maintenance	37,012	8,598	45,610
Office expense	28,507	7,508	36,015
Depreciation	121,755	24,322	146,077
Total Operating Expenses	504,383	150,001	654,384
Operating Income	52,875	25,959	78,834
Nonoperating Revenue:			
Investment earnings	5,818	488	6,306
Gain on disposition of fixed assets	2,486	662	3,148
Total Nonoperating Revenue	8,304	1,150	9,454
Income Before Transfers	61,179	27,109	88,288
Transfers out	(6,190)	-	(6,190)
Change in Net Assets	54,989	27,109	82,098
Total Net Assets - October 1, 2011	1,939,654	160,553	2,100,207
Total Net Assets - September 30, 2012	\$ 1,994,643	\$ 187,662	\$ 2,182,305

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, 2012

	Enterprise Funds		
	Water	Lot Mowing	Total
Cash Flows From Operating Activities:			
Cash received from customers	\$ 560,993	\$ 175,960	\$ 736,953
Cash payments to suppliers for goods and services	(159,638)	(59,508)	(219,146)
Cash payments for employee services and benefits	(237,646)	(65,605)	(303,251)
Net Cash Provided by Operating Activities	163,709	50,847	214,556
Cash Flows From Non-Capital Financing Activities:			
Payments to General Fund	(4,374)	-	(4,374)
Net Cash Used by Non-Capital Financing Activities	(4,374)	-	(4,374)
Cash Flows From Capital and Related Financing Activities:			
Acquisition of capital assets	(80,192)	-	(80,192)
Proceeds from sale of capital assets	2,486	662	3,148
Net Cash Provided (Used) by Capital and Related Financing Activities	(77,706)	662	(77,044)
Cash Flows From Investing Activities:			
Interest on investments	3,423	386	3,809
Proceeds from maturity of investments in Fund B	2,108	90	2,198
Net Cash Provided by Investing Activities	5,531	476	6,007
Net Increase in Cash and Cash Equivalents	87,160	51,985	139,145
Cash and Cash Equivalents - October 1, 2011	806,218	98,581	904,799
Cash and Cash Equivalents - September 30, 2012	\$ 893,378	\$ 150,566	\$ 1,043,944
Cash and Cash Equivalents classified as:			
Current assets	\$ 840,661	\$ 150,566	\$ 991,227
Restricted assets	52,717	-	52,717
Total Cash and Cash Equivalents	\$ 893,378	\$ 150,566	\$ 1,043,944

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, 2012

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

	Enterprise Funds		
	Water	Lot Mowing	Total
Operating Income	\$ 52,875	\$ 25,959	\$ 78,834
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	121,755	24,322	146,077
Change in operating assets and liabilities:			
Decrease in accounts receivable	6,630	-	6,630
Increase in prepaid items	(109)	(191)	(300)
Increase (decrease) in accounts payable	(16,786)	139	(16,647)
Increase in compensated absences	2,239	618	2,857
Decrease in customer deposits	(2,895)	-	(2,895)
Net Cash Provided by Operating Activities	\$ 163,709	\$ 50,847	\$ 214,556

Supplemental disclosure of noncash investing activities:

Change in Fair Value of Fund B	\$ 2,395	\$ 102	\$ 2,497
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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, 2012

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, 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.

SPRING LAKE IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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, 2012

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.

Private sector standards of accounting and financial reporting issued on or before November 30, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for the business-type activities and enterprise funds, subject to the same limitation. The District has elected not to follow subsequent private-sector guidance.

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 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, 2012

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

G. Maintenance Assessments

Maintenance assessments for the current fiscal year (beginning October 1, 2011) were assessed on September 1, 2011 based on the approved budget. The assessments are billed in the month of November 2011 by the Highlands County Tax Collector who remits collected taxes to the District monthly. Assessments are due November 1, 2011 and become delinquent April 1, 2012. Tax certificates are sold for delinquent assessments by June 1, 2012. 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 2012 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, 2012

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” 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 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. A liability has been recorded at September 30, 2012, 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.

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, 2012

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

O. Governmental Fund Balances

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

- 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.

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 – 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, 2012, consist of:

	Governmental Activities	Business-Type Activities
Cash on hand	\$ -	\$ 100
Florida PRIME	2,805	12,509
Demand deposits	767,103	1,031,335
Total cash and cash equivalents	\$ 769,908	\$ 1,043,944

SPRING LAKE IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 2 – CASH 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, 2012 is 94.9%. As of September 30, 2012 the District had \$11,929 of funds invested in the LGSF Fund B.

The Florida PRIME is rated by Standard and Poors with a rating at September 30, 2012 of AAAm. The Fund B has not been rated for credit risk quality by a nationally recognized statistical rating agency as of September 30, 2012.

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, 2012 was 39 days, and the weighted average life (WAL) of Fund B as of September 30, 2012 is estimated at 4.08 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, 2012 in the governmental activities are comprised of accounts receivable from customers of \$2,877 less an allowance for uncollectible accounts of \$2,032, and special assessments due of \$127,340 less an allowance of \$127,340. The business-type activities receivables is comprised of accounts receivable from customers of \$123,192, less an allowance for uncollectible accounts of \$68,929, and assessments due of \$26,850 less an allowance of \$26,850.

SPRING LAKE IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES:

Individual interfund receivable and payable balances at September 30, 2012, were as follows:

	Receivable Amount	Payable Amount
General Fund	\$ 1,520	\$ -
Water Fund	-	1,520
Totals	\$ 1,520	\$ 1,520

- 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, 2012, were as follows:

	Transfers Out	Transfers In
General Fund	\$ -	\$ 6,190
Water Fund	6,190	-
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, 2012

NOTE 6 – CAPITAL ASSETS:

A. Changes in Capital Assets

Capital assets activity for the year ended September 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 636,005	\$ 50,409	\$ -	\$ 686,414
Construction in progress	12,898	-	12,898	-
Total capital assets not being depreciated	<u>648,903</u>	<u>50,409</u>	<u>12,898</u>	<u>686,414</u>
Capital assets, being depreciated:				
Buildings	557,713	-	204,769	352,944
Infrastructure	2,697,947	168,808	-	2,866,755
Equipment	314,977	96,871	52,449	359,399
Total capital assets being depreciated	<u>3,570,637</u>	<u>265,679</u>	<u>257,218</u>	<u>3,579,098</u>
Less accumulated depreciation for:				
Buildings	191,647	33,311	28,938	196,020
Infrastructure	1,359,726	56,209	-	1,415,935
Equipment	198,146	29,843	52,449	175,540
Total accumulated depreciation	<u>1,749,519</u>	<u>119,363</u>	<u>81,387</u>	<u>1,787,495</u>
Total capital assets being depreciated, net	<u>1,821,118</u>	<u>146,316</u>	<u>175,831</u>	<u>1,791,603</u>
Governmental Activities Capital Assets, Net	<u><u>\$2,470,021</u></u>	<u><u>\$ 196,725</u></u>	<u><u>\$ 188,729</u></u>	<u><u>\$2,478,017</u></u>
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	<u>19,912</u>	<u>-</u>	<u>12,898</u>	<u>7,014</u>
Capital assets, being depreciated:				
Buildings	278,354	2,910	-	281,264
Water system	2,616,121	9,202	-	2,625,323
Equipment	347,556	80,978	63,858	364,676
Total capital assets being depreciated	<u>3,242,031</u>	<u>93,090</u>	<u>63,858</u>	<u>3,271,263</u>
Less accumulated depreciation for:				
Buildings	95,732	8,009	-	103,741
Water system	1,726,267	91,460	-	1,817,727
Equipment	223,366	46,608	63,858	206,116
Total accumulated depreciation	<u>2,045,365</u>	<u>146,077</u>	<u>63,858</u>	<u>2,127,584</u>
Total capital assets being depreciated, net	<u>1,196,666</u>	<u>(52,987)</u>	<u>-</u>	<u>1,143,679</u>
Business-Type Activities Capital Assets, Net	<u><u>\$1,216,578</u></u>	<u><u>\$ (52,987)</u></u>	<u><u>\$ 12,898</u></u>	<u><u>\$1,150,693</u></u>

SPRING LAKE IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 6 – CAPITAL ASSETS: (continued)

Depreciation expense was charged to governmental functions as follows:

Physical environment	\$ 105,940
Parks and recreation	13,423
Total	\$ 119,363

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

Water	\$ 121,755
Lot Mowing	24,322
Total	\$ 146,077

The beginning balances for Governmental Activities have been restated in the table of Changes in Capital Assets above to reflect the reclassification of \$163,429 of assets formerly reported as Buildings to Infrastructure.

NOTE 7- RESTRICTED ASSETS:

The balances of the restricted asset account for business-type activities consist of customer deposits of \$52,717.

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, 2013. 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 \$473,507. 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 \$582,428 with annual payments expected to require 99% of the pledged revenues. Principal and interest payments for the current year were \$97,071, and the current year assessment designated as 10 year capital loan was \$98,000.

SPRING LAKE IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 10 – PLEDGED REVENUES: (continued)

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 \$236,577. 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 \$272,380 with annual payments expected to require 100% 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 \$91,000.

NOTE 11 – LONG-TERM LIABILITIES:

A. Long-term liability activity for the year ended September 30, 2012 as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental Activities:					
Loan payable	\$ 536,981	\$ -	\$ 63,474	\$ 473,507	\$ 67,477
Note payable	305,954	-	69,377	236,577	74,233
Compensated absences	18,931	14,805	14,043	19,693	-
Total Governmental Activities	<u>\$ 861,866</u>	<u>\$ 14,805</u>	<u>\$ 146,894</u>	<u>\$ 729,777</u>	<u>\$ 141,710</u>
Business-Type Activities:					
Compensated absences	\$ 12,603	\$ 13,130	\$ 10,273	\$ 15,460	\$ -
Total Business-Type Activities	<u>\$ 12,603</u>	<u>\$ 13,130</u>	<u>\$ 10,273</u>	<u>\$ 15,460</u>	<u>\$ -</u>

B. The loan payable for governmental activities at September 30, 2012 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 \$97,071, 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, 2012 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.

SPRING LAKE IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 11 – LONG-TERM LIABILITIES: (continued)

D. Debt service requirements to maturity for loans payable:

Years Ending September 30,	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 141,710	\$ 46,155	\$ 187,865
2014	151,124	36,741	187,865
2015	159,090	28,775	187,865
2016	80,936	16,135	97,071
2017	85,995	11,076	97,071
2018	91,229	5,842	97,071
	<u>\$ 710,084</u>	<u>\$ 144,724</u>	<u>\$ 854,808</u>

For the fiscal year ending September 30, 2012, total interest expense entity-wide was \$55,014. In the governmental activities, interest expense amounted to \$55,014 and was incurred for the capital 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 remains obligated under certain leases accounted for as operating leases. These operating leases are for a vehicle and excavator used in governmental activities. Total lease expenditures for the year ended September 30, 2012 for each of the leases were \$4,566 and \$25,942, respectively.

The following is a schedule by year for future minimum rental payments:

<u>Fiscal Year</u>	<u>Amount</u>
2013	\$ 43,100
2014	38,913
2015	12,971
Total	<u>\$ 94,984</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 \$21,745, \$21,696 and \$18,701 for the years ended September 30, 2012, 2011 and 2010 respectively.

SPRING LAKE IMPROVEMENT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(UNAUDITED)

	<u>Budget Amounts</u>			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
Revenues:				
Special assessments	\$ 1,148,943	\$ 1,148,943	\$ 1,047,989	\$ (100,954)
Street lighting	76,500	76,500	67,759	(8,741)
Mosquito control	-	4,557	6,089	1,532
Parks and recreation	4,353	4,353	4,618	265
Investment earnings	2,000	2,000	3,375	1,375
Miscellaneous	-	-	602	602
Total Revenues	<u>1,231,796</u>	<u>1,236,353</u>	<u>1,130,432</u>	<u>(105,921)</u>
Expenditures:				
General government	279,595	254,971	180,661	74,310
Physical environment:				
Drainage	428,918	499,877	409,123	90,754
Mosquito control	-	24,603	24,603	-
Transportation:				
Street lighting	97,000	97,000	93,192	3,808
Parks and recreation	98,973	99,081	72,910	26,171
Debt service:				
Principal	132,850	132,850	132,850	-
Interest	56,150	56,150	55,015	1,135
Capital outlay	144,500	146,469	139,761	6,708
Total Expenditures	<u>1,237,986</u>	<u>1,311,001</u>	<u>1,108,115</u>	<u>202,886</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(6,190)</u>	<u>(74,648)</u>	<u>22,317</u>	<u>96,965</u>
Other Financing Sources (Uses)				
Operating transfers in	6,190	6,190	6,190	-
Total Other Financing Sources (Uses)	<u>6,190</u>	<u>6,190</u>	<u>6,190</u>	<u>-</u>
Net Change in Fund Balance	-	(68,458)	28,507	96,965
Fund Balance - October 1, 2011	723,541	723,541	723,541	-
Fund Balance - September 30, 2012	<u>\$ 723,541</u>	<u>\$ 655,083</u>	<u>\$ 752,048</u>	<u>\$ 96,965</u>

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

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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, 2012, which collectively comprise the Spring Lake Improvement District's basic financial statements and have issued our report thereon dated February 13, 2013. 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

Management of Spring Lake Improvement District is responsible for establishing and maintaining effective 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.

Board of Supervisors (continued)

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 Generally Accepted Accounting Principles (GAAP) in recording the District's financial transactions and preparing its financial statements and related notes.

Condition: The District presented financial statements for audit, but the statements were incomplete due to material audit adjustments required and other errors and omissions.

Context: Staff made significant improvements since this finding was initially reported and in the current year staff recorded additional year-end journal entries and prepared a draft of the statements for audit. However, material adjustments and changes were still needed.

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 record all necessary adjustments and prepare financial statements in accordance with GAAP.

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

Planned Corrective Action: Staff plans to obtain additional training in GAAP accounting and reporting and intends to make additional efforts to record all required adjustments prior to presenting the trial balance for audit and prepare financial statements in accordance with GAAP.

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.

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.

Board of Supervisors (continued)

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.

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 13, 2013.

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 responses and, accordingly, we express no opinion on them.

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 13, 2013

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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, 2012, and have issued our report thereon dated February 13, 2013.

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 13, 2013, 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.

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, fraud, illegal acts, or abuse, that have occurred, or are likely to 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. In connection with our audit, we did not have any such findings.

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.

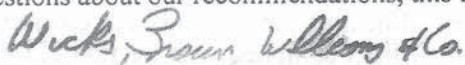
10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined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

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, 2012, 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, 2012. 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 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.

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, and applicable management, 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.

February 13, 2013