

SPRING LAKE IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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SPRING LAKE IMPROVEMENT DISTRICT
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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Spring Lake Improvement District
Sebring, Florida

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Board of Supervisors (continued)

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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Change in Accounting Principle

As discussed in Note 13 to the financial statements, the District has adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*.

Required Supplementary Information

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2014, 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* in considering Spring Lake Improvement District's internal control over financial reporting and compliance.

Wicks, Brown, Williams & Co.

Wicks, Brown, Williams & Co.
Lake Placid, Florida

March 12, 2014

SPRING LAKE IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013
(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, 2013. This discussion and analysis should be read in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- In 2013 the District's net position increased by \$295,828 (or 7%). The governmental net position increased by \$206,474 (or 9%) and the business-type net position increased \$89,354 (or 4%).
- Comparing FY 2013 with FY 2012 the governmental activities revenue increased \$29,424 (or 2%) and the net results from activities increased by \$37,882 (or 23%).
- Comparing FY 2013 with FY 2012 the business-type revenue increased by \$19,348 (or 3%) and the net results from activities increased by \$7,256 (or 9%).
- In 2013, the District Capital Assets (net of depreciation) increased by \$65,949 (or 2%). The governmental capital assets increased by \$187,323 (or 8%) and the business-type capital assets decreased by \$121,374 (or 11%).

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 Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Spring Lake Improvement District is improving or deteriorating. The Statement of Net Position combines and consolidates governmental funds, current financial resources with capital assets and long-term obligations. Other factors should also be taken into consideration, such as changes in the District's property tax base and the condition of the District's infrastructure to assess the overall health or financial condition of the District. The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All of the current year revenue and expenses are taken into account regardless of when cash is received or paid. Both the Statement of Net Position and the Statement of Activities are prepared utilizing the accrual basis of accounting. In the Statement of Net Position and the Statement of Activities, the Spring Lake Improvement District is divided into two kinds of activities:

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

SPRING LAKE IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013
(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 Position and the Statement of Activities. In fact, the District's enterprise funds are identical to the business-type activities that are reported in the government-wide statements but provide more detail by fund. The Spring Lake Improvement District maintains 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 Position 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 position may serve over time as a useful indicator of a government's financial position.

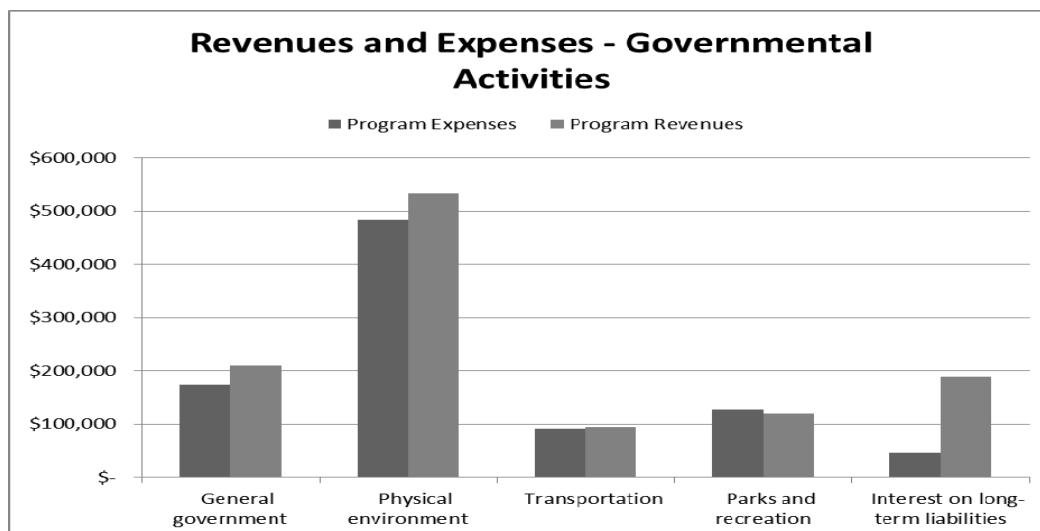
**SPRING LAKE IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013
(UNAUDITED)**

Statement of Net Position
As of September 30, 2013

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 801,638	\$ 776,552	\$ 1,316,753	\$ 1,108,272	\$ 2,118,391	\$ 1,884,824
Capital assets	2,665,340	2,478,017	1,029,319	1,150,693	3,694,659	3,628,710
Total assets	3,466,978	3,254,569	2,346,072	2,258,965	5,813,050	5,513,534
Long-term liabilities	555,222	588,067	15,326	15,460	570,548	603,527
Other liabilities	204,994	166,214	59,087	61,200	264,081	227,414
Total liabilities	760,216	754,281	74,413	76,660	834,629	830,941
Net position:						
Net investment in						
capital assets	1,947,162	1,767,933	1,029,319	1,150,693	2,976,481	2,918,626
Unrestricted	759,600	732,355	1,242,340	1,031,612	2,001,940	1,763,967
Total net position	\$ 2,706,762	\$ 2,500,288	\$ 2,271,659	\$ 2,182,305	\$ 4,978,421	\$ 4,682,593

Governmental Activities

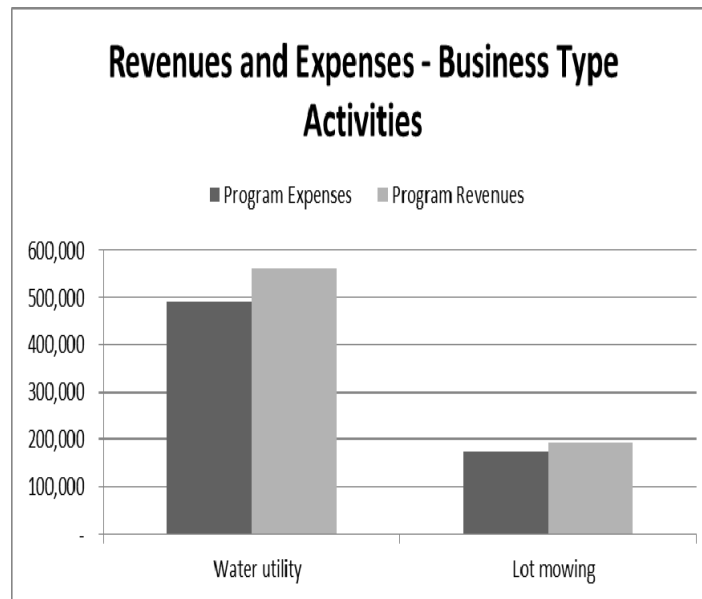
The increase in governmental net position of \$206,474 is the result of a small increase in revenues and a reduction in expenses. The District spent \$43,726 in engineering with the majority of these costs being associated with the USDA Loan process and the conceptual permit. The District spent \$162,930 in Land Acquisition purchasing lands along the levee to be used in the Water Control Plan. The District spent \$180,110 in Capital Outlay purchases consisting of \$1,330 for an additional security camera at the park, \$3,350 for a new air conditioning system at the Community Center, \$10,636 for a 60" Hustler mower, \$3,579 for control switches at the pump station, \$870 for a wall fan for the Maintenance Shop and \$1943 on miscellaneous computer equipment. The District entered into an agreement in the amount of \$158,402 with Caterpillar for the lease purchase of a Boom Mower.



SPRING LAKE IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013
(UNAUDITED)

Business – Type Activities

The increase in business-type net position of \$89,354 was primarily due to increase of revenue from home foreclosures selling and outstanding liens getting paid off. In addition the Water Fund spent \$4,463 for a tool bed for a utility truck being built in 2014. \$870 was spent for a wall fan for the water side of the maintenance shop, and \$996 for a laptop computer for the front office. \$21,650 was spent on installing safety railing around the 250,000 gallon storage tank at the water plant. \$1,074 was spent on miscellaneous computer equipment. \$15,048 was paid to Hydro Designs for meter inspections in compliance with the Districts cross connection control program. Other than regular operations there was no new activity in the Lot Mowing Fund during the year.



SPRING LAKE IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013
(UNAUDITED)

Changes in Net Position

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

Changes in Net Position
As of September 30, 2013

	Governmental Activities		Business-type Activities		Totals	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,145,497	\$ 1,126,455	\$ 758,053	\$ 733,218	\$ 1,903,550	\$ 1,859,673
General revenues:						
Investment earnings	1,947	3,375	3,967	6,306	5,914	9,681
Miscellaneous	10	36	-	-	10	36
Gain (loss) on sale of capital assets	-	(11,836)	-	3,148	-	(8,688)
Total revenues	<u>1,147,454</u>	<u>1,118,030</u>	<u>762,020</u>	<u>742,672</u>	<u>1,909,474</u>	<u>1,860,702</u>
Expenses:						
General government	174,790	180,200	-	-	174,790	180,200
Physical environment	507,008	540,329	-	-	507,008	540,329
Transportation	91,289	93,192	-	-	91,289	93,192
Parks and recreation	128,026	86,892	-	-	128,026	86,892
Interest on long-term liabilities	46,057	55,015	-	-	46,057	55,015
Water utility	-	-	491,682	504,383	491,682	504,383
Lot mowing	-	-	174,794	150,001	174,794	150,001
Total expenses	<u>947,170</u>	<u>955,628</u>	<u>666,476</u>	<u>654,384</u>	<u>1,613,646</u>	<u>1,610,012</u>
Transfers	6,190	6,190	(6,190)	(6,190)	-	-
Increase in net position	206,474	168,592	89,354	82,098	295,828	250,690
Net position-October 1	<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>
Net position-September 30	<u>\$ 2,706,762</u>	<u>\$ 2,500,288</u>	<u>\$ 2,271,659</u>	<u>\$ 2,182,305</u>	<u>\$ 4,978,421</u>	<u>\$ 4,682,593</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 \$0.87 per unit (or \$3,298), expenditures increased \$178,974 (or 17%) and revenues increased by \$27,624 (or 3%). Assessment collections were up 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 expenditures decreased \$3,962 (or 3%). The decrease was attributable to re-classifying expenses to the proper department, and a reduction in legal fees.

SPRING LAKE IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013
(UNAUDITED)

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 \$46,643 (or 12%). The decrease was attributable to re-allocation of salaries, and a reduction in engineering costs.

Parks and Recreation- which includes all District parks, tennis court and community center increased costs \$34,525 (or 48%). This increase is associated with reallocation of payroll costs based on job function analysis.

Street Lighting- provides street lights located throughout the District. Costs decreased \$1,903 (or less than 2%).

Mosquito Control- provides a mosquito control program within areas of the District. Expenses for the year decreased \$6,323 (or 26%) due to a decrease in legal fees associated with the referendum.

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. When compared to last years' capital outlay purchases, expenses increased \$203,280 (or 146%). The District spent \$162,930 for land acquisition for the water control plan. The District entered into a lease purchase with Caterpillar for a \$158,402 Boom Mower.

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 \$12,092 (or 2%) and revenues increased \$24,835 (or 4%).

Water System- The District's water system operating revenues increased by \$6,703 from the prior year. Outstanding collections on foreclosed properties contributed to this increase. The District's water system expenses decreased by \$12,701, due to the reallocation of salaries.

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 \$18,132 (or 11%). Collections were at 94% for FY 2013. Expenses increased \$24,793 (or 17%). The increase is associated with the reallocation of payroll costs based on job function analysis.

GENERAL FUND BUDGETARY HIGHLIGHTS

The change between the original and final budgetary appropriations amounted to an increase of \$28,500 "for expenditures" after appropriations. This increase was due to budgeting for additional capital outlay.

There was a negative variance for revenue when compared to the final budget of \$91,468 which resulted from assessment collections being less than budgeted. There was a positive variance with final budget for total expenditures of \$20,125. 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.

**SPRING LAKE IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013
(UNAUDITED)**

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, 2013 amounts to \$3,694,659. This investment in capital assets includes land, buildings, infrastructure, vehicles, equipment, and water system improvements.

Capital Assets
(net of depreciation)
As of September 30, 2013

	Governmental Activities		Business-type Activities		Totals	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 849,344	\$ 686,414	\$ 7,014	\$ 7,014	\$ 856,358	\$ 693,428
Const. In Progress	-	-	4,463	-	4,463	-
Buildings	136,503	156,924	168,981	177,523	305,484	334,447
Infrastructure	1,390,184	1,450,820	-	-	1,390,184	1,450,820
Water System	-	-	738,850	807,596	738,850	807,596
Equipment	289,309	183,859	110,011	158,560	399,320	342,419
Total	<u>\$ 2,665,340</u>	<u>\$ 2,478,017</u>	<u>\$ 1,029,319</u>	<u>\$ 1,150,693</u>	<u>\$ 3,694,659</u>	<u>\$ 3,628,710</u>

Long-term Debt – At the end of the fiscal year, the District’s total long-term debt outstanding in the governmental fund is \$737,685 a decrease of \$7,908. This debt is for the 10-year capital loan, compensated absences, and the promissory note payable for the Water Control Plan land purchase, and the capital lease obligation for the Boom Mower. The current portion of long-term debt is \$182,463. The only long-term debt in the business type activities is \$15,326 for compensated absences.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

The following factors were considered in preparing the District’s budget for the 2013-2014 fiscal year:

The Board of Supervisors of the Spring Lake Improvement District adopted an operating budget in the amount of \$312.27 per assessment unit, which is \$7.49 more than the 2012-2013 rates.

The District secured a matching grant from FDEP that will impact future capital projects and are still awaiting final commitment from USDA on a 40 year low interest rate loan to fund all water control projects.

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.

SPRING LAKE IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013
(UNAUDITED)

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 and revenues and expenses for this program are factored into the budget.

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 POSITION
SEPTEMBER 30, 2013

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 778,555	\$ 1,205,139	\$ 1,983,694
Accounts receivable, net	-	46,207	46,207
Due from other government	20,389	6,546	26,935
Prepaid expenses	1,474	1,257	2,731
Investments	1,220	5,297	6,517
Restricted asset - cash and cash equivalents	-	52,307	52,307
Capital assets:			
Non-depreciable	849,344	7,014	856,358
Depreciable, net	1,815,996	1,022,305	2,838,301
Total Assets	3,466,978	2,346,072	5,813,050
Liabilities:			
Accounts payable	22,531	6,780	29,311
Liabilities payable from restricted assets	-	52,307	52,307
Long-term liabilities:			
Due within one year	182,463	-	182,463
Due in more than one year	555,222	15,326	570,548
Total Liabilities	760,216	74,413	834,629
Net Position:			
Net investment in capital assets	1,947,162	1,029,319	2,976,481
Unrestricted	759,600	1,242,340	2,001,940
Total Net Position	\$ 2,706,762	\$ 2,271,659	\$ 4,978,421

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, 2013

<u>Function/Program</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 174,790	\$ 209,385	\$ -	\$ -
Physical environment	509,110	533,178	-	-
Transportation	91,289	93,756	-	-
Parks and recreation	128,026	120,178	-	-
Interest on long-term liabilities	46,057	189,000	-	-
Total Governmental Activities	949,272	1,145,497	-	-
Business-Type Activities:				
Water utility	491,682	563,961	-	-
Lot mowing	174,794	194,092	-	-
Total Business-Type Activities	666,476	758,053	-	-
Total Government	\$ 1,615,748	\$ 1,903,550	\$ -	\$ -

General Revenues:

Investment earnings
Miscellaneous

Total General Revenues

Transfers

Change in Net Position

Net Position - October 1, 2012

Net Position - September 30, 2013

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

Net (Expense) Revenue and Changes In Net Position

Governmental Activities	Business-type Activities	Total
\$ 34,595	\$ -	\$ 34,595
24,068	-	24,068
2,467	-	2,467
(7,848)	-	(7,848)
142,943	-	142,943
<u>196,225</u>	<u>-</u>	<u>196,225</u>
-	72,279	72,279
-	19,298	19,298
-	91,577	91,577
<u>196,225</u>	<u>91,577</u>	<u>287,802</u>
1,947	3,967	5,914
2,112	-	2,112
<u>4,059</u>	<u>3,967</u>	<u>8,026</u>
<u>6,190</u>	<u>(6,190)</u>	<u>-</u>
206,474	89,354	295,828
2,500,288	2,182,305	4,682,593
<u>\$ 2,706,762</u>	<u>\$ 2,271,659</u>	<u>\$ 4,978,421</u>

SPRING LAKE IMPROVEMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
SEPTEMBER 30, 2013

	General Fund
Assets	
Cash and cash equivalents	\$ 778,555
Due from other government	20,389
Prepaid expenses	1,474
Investments	1,220
Total Assets	\$ 801,638
 Liabilities and Fund Balances	
Liabilities:	
Accounts payable	\$ 22,531
Total Liabilities	22,531
 Fund Balances:	
Nonspendable - prepaid expenses	1,474
Nonspendable - long-term investments	1,220
Assigned - subsequent years budget	51,500
Unassigned	724,913
Total Fund Balances	779,107
 Total Liabilities and Fund Balances	 \$ 801,638

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 POSITION
SEPTEMBER 30, 2013

Fund Balances - Total Governmental Fund \$ 779,107

Amounts reported for governmental activities in the Statement of Net Position 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	849,344
Capital assets, depreciable - net	1,815,996

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	(182,463)
Due in more than one year	(555,222)

Net Position of Governmental Activities	\$ 2,706,762
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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, 2013

	General Fund
Revenues:	
Special assessments	\$ 1,052,854
Charges for services	92,643
Investment earnings	1,947
Miscellaneous	10,612
Total Revenues	1,158,056
 Expenditures:	
General government	176,699
Physical environment:	
Drainage	362,480
Mosquito control	18,280
Transportation:	
Street lighting	91,289
Parks and recreation	107,435
Debt service:	
Principal	141,808
Interest	46,057
Capital outlay	343,041
Total Expenditures	1,287,089
 Excess (Deficiency) of Revenues Over Expenditures	 (129,033)
 Other Financing Sources	
Debt proceeds	149,902
Operating transfers in	6,190
Total Other Financing Sources	156,092
 Net Change in Fund Balances	 27,059
Fund Balances - October 1, 2012	752,048
Fund Balances - September 30, 2013	\$ 779,107

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, 2013

Net Change in Fund Balance - Total Governmental Fund \$ 27,059

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	343,041
Depreciation expense	(121,352)

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:

Decrease in compensated absences	186
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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 Position and does not affect the
Statement of Activities. These amounts are:

Debt repayments	141,808
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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	(34,366)
Proceeds from capital lease	(149,902)

Change in Net Position of Governmental Activities	\$ 206,474
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The notes to the financial statements are an integral part of this statement.

SPRING LAKE IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

	Enterprise Funds		
	Water	Lot Mowing	Total
Assets			
Current Assets:			
Cash and cash equivalents	\$ 1,015,968	\$ 189,171	\$ 1,205,139
Accounts receivable	46,207	-	46,207
Due from other government	-	6,546	6,546
Prepaid expenses	847	410	1,257
Total Current Assets	1,063,022	196,127	1,259,149
Noncurrent Assets:			
Investments	5,080	217	5,297
Restricted asset - cash and cash equivalents	52,307	-	52,307
Capital assets - net	1,013,111	16,208	1,029,319
Total Noncurrent Assets	1,070,498	16,425	1,086,923
Total Assets	2,133,520	212,552	2,346,072
Liabilities			
Current Liabilities:			
Accounts payable	5,744	1,036	6,780
Customer deposits	52,307	-	52,307
Total Current Liabilities	58,051	1,036	59,087
Noncurrent Liabilities:			
Compensated absences	11,146	4,180	15,326
Total Noncurrent Liabilities	11,146	4,180	15,326
Total Liabilities	69,197	5,216	74,413
Net Position			
Net investment in capital assets	1,013,111	16,208	1,029,319
Unrestricted	1,051,212	191,128	1,242,340
Total Net Position	\$ 2,064,323	\$ 207,336	\$ 2,271,659

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 POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Enterprise Funds		
	Water	Lot Mowing	Total
Operating Revenues:			
Charges for services	\$ 563,961	\$ 194,092	\$ 758,053
Operating Expenses:			
Employee compensation and benefits	218,109	92,497	310,606
Contract services	11,996	7,346	19,342
Other operating expenses	64,752	34,749	99,501
Repairs and maintenance	41,205	10,807	52,012
Office expense	28,376	6,211	34,587
Depreciation	127,244	23,184	150,428
Total Operating Expenses	491,682	174,794	666,476
Operating Income	72,279	19,298	91,577
Nonoperating Revenue:			
Investment earnings	3,591	376	3,967
Total Nonoperating Revenue	3,591	376	3,967
Income Before Transfers	75,870	19,674	95,544
Transfers out	(6,190)	-	(6,190)
Change in Net Position	69,680	19,674	89,354
Total Net Position - October 1, 2012	1,994,643	187,662	2,182,305
Total Net Position - September 30, 2013	\$ 2,064,323	\$ 207,336	\$ 2,271,659

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, 2013

	Enterprise Funds		
	Water	Lot Mowing	Total
Cash Flows From Operating Activities:			
Cash received from customers	\$ 571,607	\$ 187,546	\$ 759,153
Cash payments to suppliers for goods and services	(147,362)	(59,151)	(206,513)
Cash payments for employee services and benefits	(220,394)	(90,346)	(310,740)
Net Cash Provided by Operating Activities	203,851	38,049	241,900
Cash Flows From Non-Capital Financing Activities:			
Payments to General Fund	(7,710)	-	(7,710)
Net Cash Used by Non-Capital Financing Activities	(7,710)	-	(7,710)
Cash Flows From Capital and Related Financing Activities:			
Acquisition of capital assets	(29,054)	-	(29,054)
Net Cash Used by Capital and Related Financing Activities	(29,054)	-	(29,054)
Cash Flows From Investing Activities:			
Interest on investments	2,496	329	2,825
Proceeds from maturity of investments in Fund B	5,314	227	5,541
Net Cash Provided by Investing Activities	7,810	556	8,366
Net Increase in Cash and Cash Equivalents	174,897	38,605	213,502
Cash and Cash Equivalents - October 1, 2012	893,378	150,566	1,043,944
Cash and Cash Equivalents - September 30, 2013	\$ 1,068,275	\$ 189,171	\$ 1,257,446
Cash and Cash Equivalents classified as:			
Current assets	\$ 1,015,968	\$ 189,171	\$ 1,205,139
Restricted assets	52,307	-	52,307
Total Cash and Cash Equivalents	\$ 1,068,275	\$ 189,171	\$ 1,257,446

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, 2013

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

	Enterprise Funds		
	Water	Lot Mowing	Total
Operating Income	\$ 72,279	\$ 19,298	\$ 91,577
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	127,244	23,184	150,428
Change in operating assets and liabilities:			
Decrease in accounts receivable	8,056	-	8,056
Increase in due from other governments	-	(6,546)	(6,546)
Decrease in prepaid items	604	28	632
Decrease in accounts payable	(1,637)	(66)	(1,703)
Increase (decrease) in compensated absences	(2,285)	2,151	(134)
Decrease in customer deposits	(410)	-	(410)
Net Cash Provided by Operating Activities	\$ 203,851	\$ 38,049	\$ 241,900

Supplemental disclosure of noncash investing activities:

Change in Fair Value of Fund B	\$ 1,095	\$ 47	\$ 1,142
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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, 2013

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 position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements:

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

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

SPRING LAKE IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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 position, revenues, and expenditures/expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements. The following is a brief description of the specific funds used by the District.

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, 2013

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.

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

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District's Board has provided otherwise in its commitment or assignment actions.

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 earnings. Amounts invested in the Florida State Board of Administration (SBA) Local Government Surplus Funds Trust Fund ("Florida PRIME") and short-term money market investments are reported as cash equivalents at amortized cost.

F. Prepaid Expense

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, 2013

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

G. Maintenance Assessments

Maintenance assessments for the current fiscal year (beginning October 1, 2012) were assessed on September 12, 2012 based on the approved budget. The assessments are billed in the month of November 2012 by the Highlands County Tax Collector who remits collected taxes to the District monthly. Assessments are due November 1, 2012 and become delinquent April 1, 2013. Tax certificates are sold for delinquent assessments by June 1, 2013. Generally, the District collects substantially all of its current year assessments during the year in which they are due. The District deems any special assessments not collected by year end uncollectible, and provides an allowance for those amounts. No accrual for the assessments levy becoming due in November 2013 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, 2013

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, 2013, 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 Position

Government-wide and proprietary fund net position is divided into three categories:

- Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding and was used to finance those assets.
- Restricted – consist of amounts constrained to specific purposes by their providers (such as grantors, bondholders, higher levels of government, and contributors), through constitutional provisions, by enabling legislation, or contributor restrictions.
- Unrestricted – all other net position is reported in this category.

SPRING LAKE IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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 - amounts that are not in spendable form (such as prepaid expenses or long term investments) or are required to be maintained intact.
- Restricted - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed - amounts constrained to specific purposes by the District itself, using its highest level of decision-making District (i.e., Board members) and its highest level action (i.e. Resolution). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned - amounts the District intends to use for a specific purpose. Intent can be expressed by the Board members.
- Unassigned - amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The District Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the District Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

NOTE 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, 2013, consist of:

	Governmental Activities	Business-Type Activities
Cash on hand	\$ -	\$ 100
Florida PRIME	4,089	18,082
Demand deposits	774,466	1,239,264
Total cash and cash equivalents	\$ 778,555	\$ 1,257,446

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.

SPRING LAKE IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 2 – CASH AND INVESTMENTS: (continued)

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, 2013 is 113.3%. As of September 30, 2013 the District had \$6,517 of funds invested in the LGSF Fund B.

The Florida PRIME is rated by Standard and Poors with a rating at September 30, 2013 of AAAm. The Fund B has not been rated for credit risk quality by a nationally recognized statistical rating agency as of September 30, 2013.

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, 2013 was 44 days, and the weighted average life (WAL) of Fund B as of September 30, 2013 is estimated at 4.04 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, 2013 in the governmental activities are comprised of accounts receivable from customers of \$1,237 less an allowance for uncollectible accounts of \$1,237, and special assessments due from other government of \$255,632 less an allowance of \$235,243. The business-type activities receivables is comprised of accounts receivable from customers of \$120,617, less an allowance for uncollectible accounts of \$74,410, and assessments due from other government of \$40,596 less an allowance of \$34,050.

NOTE 4 – INTERFUND TRANSFERS:

Interfund transfers for the year ended September 30, 2013, 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, 2013

NOTE 5 – CAPITAL ASSETS:

A. Changes in Capital Assets

Capital assets activity for the year ended September 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 686,414	\$ 162,930	\$ -	\$ 849,344
Total capital assets not being depreciated	686,414	162,930	-	849,344
Capital assets, being depreciated:				
Buildings	352,944	-	-	352,944
Infrastructure	2,866,755	6,929	-	2,873,684
Equipment	359,399	173,182	72,801	459,780
Total capital assets being depreciated	3,579,098	180,111	72,801	3,686,408
Less accumulated depreciation for:				
Buildings	196,020	20,421	-	216,441
Infrastructure	1,415,935	67,565	-	1,483,500
Equipment	175,540	33,366	38,435	170,471
Total accumulated depreciation	1,787,495	121,352	38,435	1,870,412
Total capital assets being depreciated, net	1,791,603	58,759	34,366	1,815,996
Governmental Activities Capital Assets, Net	\$ 2,478,017	\$ 221,689	\$ 34,366	\$ 2,665,340
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 7,014	\$ -	\$ -	\$ 7,014
Construction in progress	-	4,463	-	4,463
Total capital assets not being depreciated	7,014	4,463	-	11,477
Capital assets, being depreciated:				
Buildings	281,264	-	-	281,264
Water system	2,625,323	21,650	-	2,646,973
Equipment	364,676	2,941	-	367,617
Total capital assets being depreciated	3,271,263	24,591	-	3,295,854
Less accumulated depreciation for:				
Buildings	103,741	8,542	-	112,283
Water system	1,817,727	90,396	-	1,908,123
Equipment	206,116	51,490	-	257,606
Total accumulated depreciation	2,127,584	150,428	-	2,278,012
Total capital assets being depreciated, net	1,143,679	(125,837)	-	1,017,842
Business-Type Activities Capital Assets, Net	\$ 1,150,693	\$ (121,374)	\$ -	\$ 1,029,319

SPRING LAKE IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 5 – CAPITAL ASSETS: (continued)

Depreciation expense was charged to governmental functions as follows:

Physical environment	\$ 103,217
Parks and recreation	<u>18,135</u>
Total	<u>\$ 121,352</u>

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

Water	\$ 127,244
Lot Mowing	<u>23,184</u>
Total	<u>\$ 150,428</u>

NOTE 6- RESTRICTED ASSETS:

The balances of the restricted asset account for business-type activities consist of customer deposits of \$52,307.

NOTE 7 – RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; 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 8 – 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, 2014. 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 9 – 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 \$405,932. 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 \$485,355 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.

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 \$162,344. 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 \$181,588 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.

SPRING LAKE IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 10 – LONG-TERM LIABILITIES:

A. Long-term liability activity

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental Activities:					
Capital lease obligation	\$ -	\$ 149,902	\$ -	\$ 149,902	\$ 31,333
Compensated absences	19,693	17,823	18,009	19,507	-
Loan payable	473,507	-	67,575	405,932	71,701
Note payable	236,577	-	74,233	162,344	79,429
Total Governmental Activities	<u>\$ 729,777</u>	<u>\$ 167,725</u>	<u>\$ 159,817</u>	<u>\$ 737,685</u>	<u>\$ 182,463</u>
Business-Type Activities:					
Compensated absences	\$ 15,460	\$ 14,017	\$ 14,151	\$ 15,326	\$ -
Total Business-Type Activities	<u>\$ 15,460</u>	<u>\$ 14,017</u>	<u>\$ 14,151</u>	<u>\$ 15,326</u>	<u>\$ -</u>

B. Loan payable

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. Note payable

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. Capital lease obligation

The District entered into a lease-purchase agreement with Caterpillar in the amount of \$149,902 as lessee for financing the acquisition of a boom mower. The lease qualifies as a capital lease for accounting purposes, and therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The lease, dated September 13, 2013, has an interest rate of 3.02% and is due in 35 monthly installments of \$2,991, including interest, with a final balloon payment of 55,491 due August 13, 2015.

SPRING LAKE IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 10 – LONG-TERM LIABILITIES: (continued)

D. Capital lease obligation (continued)

The future minimum lease obligation and net present value of the minimum lease payments as of September 30, 2013 is as follows:

Year Ending September 30	Business-type Activities
2014	\$ 35,896
2015	35,896
2016	88,397
Total minimum lease payments	160,189
Less: amount representing interest	(10,287)
Present value of minimum lease payments	149,902
Less: current portion representing principal	(31,333)
Total capital lease obligations – long term	<u>\$ 118,569</u>

E. Debt service requirements to maturity

Years Ending September 30,	Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 151,130	\$ 36,735	\$ 187,865
2015	159,096	28,769	187,865
2016	80,944	16,127	97,071
2017	86,002	11,069	97,071
2018	91,104	5,967	97,071
	<u>\$ 568,276</u>	<u>\$ 98,667</u>	<u>\$ 666,943</u>

For the fiscal year ending September 30, 2013, total interest expense in the governmental activities was \$46,057, and was incurred for the capital loan and property acquisition note.

NOTE 11– COMMITMENTS:

A. Operating Leases

The District remains obligated under a certain lease for an excavator, accounted for as an operating lease. The District also utilized an operating lease for a vehicle, which ended during the year. Both leases were reported in the governmental activities. Total lease expenditures for the year ended September 30, 2013 for each of the leases were \$38,913 and \$6,111, respectively.

SPRING LAKE IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 11– COMMITMENTS: (continued)

A. Operating Leases

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

<u>Fiscal Year</u>	<u>Amount</u>
2014	38,913
2015	<u>12,971</u>
Total	<u><u>\$ 51,884</u></u>

B. 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 has acquired 82 acres of unimproved lands for storm water purposes, and will construct a lake-wetland marsh system, including an on-site storm water treatment facility (SLID STA) to provide an increase in retention and detention of storm water.

See Note 14 for additional information related to the financing of the project.

NOTE 12 – 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 \$24,114, \$21,745 and \$21,696 for the years ended September 30, 2013, 2012 and 2011 respectively.

NOTE 13 – CHANGE IN ACCOUNTING PRINCIPLE:

On October 1, 2012, the District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This action resulted in the establishment of categories outside of assets and liabilities, titled deferred outflows and deferred inflows. In addition, the Statement retitled Net Assets as Net Position. The effect of this change on the District's financial statement was limited to retitling net assets at net position.

NOTE 14 – SUBSEQUENT EVENT:

On January 23, 2014, the District entered into a grant agreement with the State of Florida Department of Environmental Protection to fund the \$1,040,000 project costs for the construction of the storm water treatment facility. Under the agreement, the District will receive \$624,000 in the form of a grant. The agreement requires at least a 40% match, so the District must provide \$416,000 through cash or third party in-kind, towards the work funded under the agreement. The District is currently pursuing other funding opportunities to meet its in-kind match.

SPRING LAKE IMPROVEMENT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(UNAUDITED)

	<u>Budget Amounts</u>			Variance with
	Original	Final	Actual	Final Budget- Positive (Negative)
Revenues:				
Special assessments	\$ 1,155,405	\$ 1,155,405	\$ 1,052,854	\$ (102,551)
Charges for services	92,119	92,119	92,643	524
Investment earnings	2,000	2,000	1,947	(53)
Miscellaneous	-	-	10,612	10,612
Total Revenues	<u>1,249,524</u>	<u>1,249,524</u>	<u>1,158,056</u>	<u>(91,468)</u>
Expenditures:				
General government	283,592	213,214	176,699	36,515
Physical environment:				
Drainage	460,251	458,316	362,480	95,836
Mosquito control	28,380	28,380	18,280	10,100
Transportation:				
Street lighting	97,000	97,000	91,289	5,711
Parks and recreation	131,491	131,491	107,435	24,056
Debt service:				
Principal	143,000	143,000	141,808	1,192
Interest	47,000	47,000	46,057	943
Capital outlay	88,000	188,813	343,041	(154,228)
Total Expenditures	<u>1,278,714</u>	<u>1,307,214</u>	<u>1,287,089</u>	<u>20,125</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(29,190)</u>	<u>(57,690)</u>	<u>(129,033)</u>	<u>(71,343)</u>
Other Financing Sources				
Debt proceeds	-	-	149,902	149,902
Operating transfers in	6,190	6,190	6,190	-
Total Other Financing Sources	<u>6,190</u>	<u>6,190</u>	<u>156,092</u>	<u>149,902</u>
Net Change in Fund Balance	(23,000)	(51,500)	27,059	78,559
Fund Balance - October 1, 2012	752,048	752,048	752,048	-
Fund Balance - September 30, 2013	<u>\$ 729,048</u>	<u>\$ 700,548</u>	<u>\$ 779,107</u>	<u>\$ 78,559</u>

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

SPRING LAKE IMPROVEMENT DISTRICT
NOTES TO BUDGETARY COMPARISON SCHEDULE
SEPTEMBER 30, 2013
(UNAUDITED)

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, 2013, the District's expenditures exceeded its available budget for Capital Outlay in the General Fund by \$154,228, as a result of not budgeting for the lease-purchase of equipment. The corresponding debt proceeds of \$149,902 were also not budgeted.

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

Board of Supervisors
Spring Lake Improvement District
Sebring, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the 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, 2013, and the related notes to the financial statements, which collectively comprise the Spring Lake Improvement District's basic financial statements and have issued our report thereon dated March 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Spring Lake Improvement District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Spring Lake Improvement District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Spring Lake Improvement District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and 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 a material audit adjustment required to record a capital lease entered into during the year for equipment. Staff deemed the lease an operating lease and accounted for it as such. As documented in the minutes, the lease was presented to the Board of Supervisors for approval as a 3-year lease with the option to buy. However, the lease actually included a balloon payment, not an option to buy, and did not meet the criteria to be treated as an operating lease.

Context: Staff has made significant improvements since this finding was initially reported and in the current year staff prepared a draft of the statements for audit. However, due to the misclassification of the capital lease, a material adjustment was still needed.

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

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 continue to provide training to existing staff in areas of governmental accounting and GAAP reporting.

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 increased 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*.

Spring Lake Improvement District's Response to Findings

Spring Lake Improvement District's response to the findings identified in our audit is described above. Spring Lake Improvement District's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wicks, Brown, Williams & Co.

Wicks, Brown, Williams & Co.
Lake Placid, FL

March 12, 2014

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 fiscal year ended September 30, 2013, and have issued our report thereon dated March 12, 2014.

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. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated March 12, 2014, 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 Independent Auditor's Report on Internal Control over Financial Reporting and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. 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 noncompliance with provisions of contracts or grant agreements, 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.

ML 13-1, Budget Violations

Condition and Criteria: For the year ended September 30, 2013, the District exceeded its available budget for capital outlay in the General Fund by \$154,228. Sufficient budget should exist for expenditures incurred by the District.

Cause: The District is not properly budgeting capital purchases and associated debt proceeds.

Effect: The District is not in compliance with their adopted budget resolution.

Recommendation: We recommend the budgeting of all capital purchases and debt proceeds prior to purchase and all financing arrangements be approved by Resolution.

Management's Response: Staff will begin budgeting all capital purchases prior to purchase and all financing arrangements will be approved by Resolution.

Section 10.554(1)(i)5., 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.

Section 10.554(1)(i)6.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)6.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, 2013, 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, 2013. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(i)6.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.

Board of Supervisors (continued)

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 other granting agencies, and applicable management, 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.
Lake Placid, Florida

March 12, 2014