

**SPRING LAKE IMPROVEMENT DISTRICT
SEBRING, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2019**

**SPRING LAKE IMPROVEMENT DISTRICT
SEBRING, FLORIDA**

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INDEPENDENT AUDITOR'S REPORT

To the 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, Sebring, Florida ("District") as of and for the fiscal year ended September 30, 2019, 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.

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 District as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of state financial assistance projects is presented for purposes of additional analysis as required by Chapter 10.550, *Rules of the Auditor General* of the State of Florida, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance projects is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



April 8, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Spring Lake Improvement District, Sebring, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2019. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year resulting in a net position balance of \$7,996,219.
- The change in the District's total net position in comparison with the prior fiscal year was (\$22,512), a decrease. The key components of the District's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2019, the District's governmental fund reported ending fund balance of \$822,385, an increase of \$20,226 in comparison with the prior fiscal year. A portion of the fund balance is restricted for debt service, and the remainder is unassigned fund balance which is available for spending at the District's discretion.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as the introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual amount being 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 District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by assessments (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general government, drainage, transportation, mosquito control, and parks and recreation. The business-type activities of the District include water, lot mowing, and wastewater.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflow of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains one governmental fund for external reporting, the general fund, which is considered a major fund.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

Proprietary Fund

The District maintains one type of proprietary funds, enterprise funds. Enterprise funds are used to report the same function presented as business-type activities in the government-wide financial statements. The District maintains three enterprise funds to account for the water, lot mowing, and wastewater operations of the District.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities at the close of the most recent fiscal year.

The District's net position reflects its investment in capital assets (e.g. land, land improvements, and infrastructure) less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the District's other obligations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Key components of the District's net position are reflected in the following table:

	NET POSITION					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets, excluding capital assets	\$ 834,473	\$ 830,981	\$ 1,447,957	\$ 1,500,884	\$ 2,282,430	\$ 2,331,865
Capital assets, net of depreciation	6,668,028	6,856,122	4,589,347	1,736,959	11,257,375	8,593,081
Total assets	<u>7,502,501</u>	<u>7,687,103</u>	<u>6,037,304</u>	<u>3,237,843</u>	<u>13,539,805</u>	<u>10,924,946</u>
Liabilities, excluding long-term liabilities	12,088	28,822	216,436	231,684	228,524	260,506
Long-term liabilities	2,270,425	2,372,769	3,044,637	272,940	5,315,062	2,645,709
Total liabilities	<u>2,282,513</u>	<u>2,401,591</u>	<u>3,261,073</u>	<u>504,624</u>	<u>5,543,586</u>	<u>2,906,215</u>
Net position						
Net investment in capital assets	4,427,606	4,503,101	1,580,754	1,378,556	6,008,360	5,881,657
Restricted for:						
Debt service	66,651	38,675	-	-	66,651	38,675
Unrestricted	725,731	743,736	1,195,477	1,354,663	1,921,208	2,098,399
Total net position	<u>\$ 5,219,988</u>	<u>\$ 5,285,512</u>	<u>\$ 2,776,231</u>	<u>\$ 2,733,219</u>	<u>\$ 7,996,219</u>	<u>\$ 8,018,731</u>

The District's net position decreased during the most recent fiscal year. The majority of the decrease represents the extent to which the cost of operations and depreciation expense exceeded ongoing program revenues.

Key elements of the change in net position are reflected in the following table:

	CHANGES IN NET POSITION					
	FOR THE FISCAL YEAR ENDED SEPTEMBER 30,					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues						
Charges for services	\$ 1,082,868	\$ 1,155,410	\$ 1,009,313	\$ 1,031,539	\$ 2,092,181	\$ 2,186,949
Capital grants and contributions	106,375	174,036	-	-	106,375	174,036
General revenues						
Investment earnings	22,081	14,442	30,399	23,670	52,480	38,112
Miscellaneous	2,300	12,861	-	-	2,300	12,861
Gain on sale of capital assets	7,500	-	29,000	1,815	36,500	1,815
Total revenues	<u>1,221,124</u>	<u>1,356,749</u>	<u>1,068,712</u>	<u>1,057,024</u>	<u>2,289,836</u>	<u>2,413,773</u>
Expenses:						
General government	211,938	230,459	-	-	211,938	230,459
Physical environment	768,784	758,381	-	-	768,784	758,381
Transportation	92,614	92,040	-	-	92,614	92,040
Parks and recreation	196,840	195,370	-	-	196,840	195,370
Interest on long-term debt	22,662	17,122	-	-	22,662	17,122
Water utility	-	-	676,811	627,902	676,811	627,902
Lot mow ing	-	-	191,178	191,339	191,178	191,339
Wastewater	-	-	151,521	142,931	151,521	142,931
Total expenses	<u>1,292,838</u>	<u>1,293,372</u>	<u>1,019,510</u>	<u>962,172</u>	<u>2,312,348</u>	<u>2,255,544</u>
Transfers	6,190	6,190	(6,190)	(6,190)	-	-
Change in net position	(65,524)	69,567	43,012	88,662	(22,512)	158,229
Net position - beginning	5,285,512	5,215,945	2,733,219	2,644,557	8,018,731	7,860,502
Net position - ending	<u>\$ 5,219,988</u>	<u>\$ 5,285,512</u>	<u>\$ 2,776,231</u>	<u>\$ 2,733,219</u>	<u>\$ 7,996,219</u>	<u>\$ 8,018,731</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental activities

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2019 was \$1,292,838. The costs of the District's activities were primarily funded by program revenues. Program revenues, comprised primarily of assessments, decreased during the fiscal year primarily due to a reduction in the amount of legislative appropriations and assessments from the prior fiscal year.

Business-type activities

Business-type activities reflect the water, lot mowing, and wastewater operations within the District. The cost of operations is covered primarily by charges to customers. Overall increase in revenues was due primarily to gains on the disposition of capital assets and increased interest income.

GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The general fund budget for the fiscal year ended September 30, 2019 was amended to increase revenues by \$50,770, appropriations by \$180,536, and use of fund balance by \$129,766. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2019.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2019, the District had \$10,030,148 invested in capital assets for its governmental activities. In the government-wide financial statements depreciation of \$3,362,120 has been taken, which resulted in a net book value of \$6,668,028. The District's business-type activities reported net capital assets of \$4,589,347. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Capital Debt

At September 30, 2019, the District had \$2,238,994 in loans outstanding for its governmental activities. For business-type activities, the District had loans outstanding of \$2,898,690 and a capital lease obligation outstanding of \$6,857. More detailed information about the District's capital debt is presented in the notes of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND OTHER EVENTS

The District will begin its Route 98 Legislative Appropriation Project for the extension of sewer lines. The Preliminary Engineering Report (PER) for the drinking water projects has been funded, and it is anticipated full funding for all projects will be approved by FDEP by the Fall. Major emphasis is on the rehabilitation of water plant #2, the extension of water to Pinedale Estates, and the extension of water and sewer to Village X. Sate Revolving Funds, (SRF), loan repayments for the Strom Water Treatment Area, (STA), and the Wastewater Treatment Plant, (WWTP), are in place, and the PER payments do not begin until December of 2021.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, land owners, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Spring Lake Improvement District's Finance Department at 115 Spring Lake Boulevard, Sebring, Florida, 33876.

**SPRING LAKE IMPROVEMENT DISTRICT
SEBRING, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 46,761	\$ 71,027	\$ 117,788
Investments	709,546	1,259,977	1,969,523
Accounts receivable (net)	7,939	64,692	72,631
Assessments receivable	3,576	-	3,576
Restricted assets:			
Cash and cash equivalents	-	52,261	52,261
Investments	66,651	-	66,651
Capital assets:			
Nondepreciable	939,930	3,430,836	4,370,766
Depreciable, net	5,728,098	1,158,511	6,886,609
Total assets	<u>7,502,501</u>	<u>6,037,304</u>	<u>13,539,805</u>
LIABILITIES			
Accounts payable	12,088	20,417	32,505
Contracts and retainage payable	-	143,758	143,758
Payable from restricted assets:			
Customer deposits	-	52,261	52,261
Non-current liabilities:			
Due within one year	145,587	141,072	286,659
Due in more than one year	2,124,838	2,903,565	5,028,403
Total liabilities	<u>2,282,513</u>	<u>3,261,073</u>	<u>5,543,586</u>
NET POSITION			
Net investment in capital assets	4,427,606	1,580,754	6,008,360
Restricted for:			
Debt service	66,651	-	66,651
Unrestricted	725,731	1,195,477	1,921,208
Total net position	<u>\$ 5,219,988</u>	<u>\$ 2,776,231</u>	<u>\$ 7,996,219</u>

See notes to the financial statements

**SPRING LAKE IMPROVEMENT DISTRICT
SEBRING, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 211,938	\$ 369,030	-	\$ 157,092	-	\$ 157,092
Physical environment	768,784	444,214	66,900	(257,670)	-	(257,670)
Transportation	92,614	93,154	-	540	-	540
Parks and recreation	196,840	176,470	39,475	19,105	-	19,105
Interest on long-term debt	22,662	-	-	(22,662)	-	(22,662)
Total governmental activities	1,292,838	1,082,868	106,375	(103,595)	-	(103,595)
Business-type activities:						
Water utility	676,811	620,614	-	-	(56,197)	(56,197)
Lot mowing	191,178	181,149	-	-	(10,029)	(10,029)
Wastewater	151,521	207,550	-	-	56,029	56,029
Total business-type activities	1,019,510	1,009,313	-	-	(10,197)	(10,197)
General revenues:						
Unrestricted investment earnings				22,081	30,399	52,480
Miscellaneous income				2,300	-	2,300
Gain on sale of capital assets				7,500	29,000	36,500
Total general revenues				31,881	59,399	91,280
Transfers				6,190	(6,190)	-
Change in net position				(65,524)	43,012	(22,512)
Net position - beginning				5,285,512	2,733,219	8,018,731
Net position - ending				\$ 5,219,988	\$ 2,776,231	\$ 7,996,219

See notes to the financial statements

**SPRING LAKE IMPROVEMENT DISTRICT
SEBRING, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

	Major Fund General Fund
ASSETS	
Cash and cash equivalents	\$ 46,761
Investments	709,546
Accounts receivable (net)	7,939
Assessments receivable	3,576
Restricted investments	66,651
Total assets	\$ 834,473
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 12,088
Total liabilities	12,088
 Fund balances:	
Restricted for:	
Debt service	66,651
Unassigned	755,734
Total fund balance	822,385
Total liabilities and fund balance	\$ 834,473

See notes to the financial statements

**SPRING LAKE IMPROVEMENT DISTRICT
SEBRING, FLORIDA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

Total fund balances - governmental funds \$ 822,385

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 governmental funds. The statement of net position includes those capital assets, net of any accumulated depreciation, in the net position of the government as a whole.

Cost of capital assets	10,030,148	
Accumulated depreciation	<u>(3,362,120)</u>	6,668,028

Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.

Loan payable	(2,238,994)	
Compensated absences	<u>(31,431)</u>	<u>(2,270,425)</u>
Net position of governmental activities		<u><u>\$ 5,219,988</u></u>

See notes to the financial statements

**SPRING LAKE IMPROVEMENT DISTRICT
SEBRING, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

	Major Fund
	General Fund
REVENUES	
Assessments	\$ 984,667
Intergovernmental revenues	106,375
Charges for services	98,201
Interest income	22,081
Miscellaneous income	9,800
Total revenues	1,221,124
EXPENDITURES	
Current:	
General government	201,683
Physical environment:	
Drainage	397,680
Mosquito control	24,187
Transportation:	
Street lighting	92,614
Parks and recreation	152,931
Debt Service:	
Principal	112,599
Interest	22,662
Capital outlay	202,732
Total expenditures	1,207,088
Excess (deficiency) of revenues over (under) expenditures	14,036
OTHER FINANCING SOURCES AND (USES)	
Interfund transfers in	6,190
Total other financing sources and (uses)	6,190
Net change in fund balance	20,226
Fund balance - beginning	802,159
Fund balance - ending	\$ 822,385

See notes to the financial statements

**SPRING LAKE IMPROVEMENT DISTRICT
SEBRING, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

Net change in fund balances - total governmental funds	\$ 20,226
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation of capital assets is not recognized in the governmental fund financial statements, but is reported as an expense in the statement of activities.	(390,826)
Governmental funds report capital outlays as expenditures, however, the cost of capital assets is eliminated in the statement of activities and capitalized in the statement of net position.	202,732
Repayment of long-term liabilities are reported as expenditures in the governmental fund financial statements, but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities.	112,599
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds. The details of the differences are as follows:	
Change in compensated absences	(10,255)
Change in net position of governmental activities	<u>\$ (65,524)</u>

See notes to the financial statements

**SPRING LAKE IMPROVEMENT DISTRICT
SEBRING, FLORIDA
STATEMENT OF NET POSITION - PROPRIETARY FUND
SEPTEMBER 30, 2019**

	Major Enterprise Funds			Total
	Water	Lot Mowing	Wastewater	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 4,236	\$ 5,660	\$ 61,131	\$ 71,027
Investments	1,038,024	210,798	11,155	1,259,977
Receivables, net	48,694	-	15,998	64,692
Noncurrent assets:				
Advances to other funds	185,000	-	-	185,000
Restricted assets:				
Cash and cash equivalents	52,261	-	-	52,261
Capital assets:				
Capital assets not being depreciated	7,014	-	3,423,822	3,430,836
Capital assets being depreciated	3,867,034	312,993	29,514	4,209,541
Less accumulated depreciation	(2,921,448)	(114,792)	(14,790)	(3,051,030)
Total capital assets, net	952,600	198,201	3,438,546	4,589,347
Total assets	2,280,815	414,659	3,526,830	6,222,304
LIABILITIES				
Current liabilities:				
Accounts payable	12,178	3,307	4,932	20,417
Contracts and retainage payable	-	-	143,758	143,758
Payable from restricted assets:				
Customer deposits	52,261	-	-	52,261
Loan payable	-	-	111,016	111,016
Capital lease Payable	6,857	-	-	6,857
Compensated absences	14,530	4,670	3,999	23,199
Noncurrent liabilities:				
Loan payable	-	-	2,887,674	2,887,674
Advances from other funds	-	-	185,000	185,000
Compensated absences	10,244	1,155	4,492	15,891
Total liabilities	96,070	9,132	3,340,871	3,446,073
NET POSITION				
Net investment in capital assets	945,743	198,201	436,810	1,580,754
Unrestricted	1,239,002	207,326	(250,851)	1,195,477
Total net position	\$ 2,184,745	\$ 405,527	\$ 185,959	\$ 2,776,231

See notes to the financial statements

**SPRING LAKE IMPROVEMENT DISTRICT
SEBRING, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2019**

	Major Enterprise Funds			Total
	Water	Lot Mowing	Wastewater	
OPERATING REVENUES				
Charges for sales and services	\$ 620,614	\$ 181,149	\$ 207,550	\$ 1,009,313
Total operating revenues	620,614	181,149	207,550	1,009,313
OPERATING EXPENSES				
Personnel services	322,111	90,888	55,753	468,752
Contract services	38,230	5,900	38,855	82,985
Other operating expenses	90,306	35,144	19,537	144,987
Repairs and maintenance	42,339	11,053	14,069	67,461
Office expense	24,181	8,246	3,076	35,503
Depreciation	158,956	39,947	3,918	202,821
Total operating expense	676,123	191,178	135,208	1,002,509
Operating income (loss)	(55,509)	(10,029)	72,342	6,804
NON OPERATING REVENUE (EXPENSES)				
Interest income	23,751	6,325	323	30,399
Gain (loss) on disposal of equipment	7,500	21,500	-	29,000
Interest expense	(688)	-	(16,313)	(17,001)
Total non operating revenue (expenses)	30,563	27,825	(15,990)	42,398
Income before transfers	(24,946)	17,796	56,352	49,202
Transfers in (out)	(6,190)	-	-	(6,190)
Change in net position	(31,136)	17,796	56,352	43,012
Total net position - beginning	2,215,881	387,731	129,607	2,733,219
Total net position - ending	\$ 2,184,745	\$ 405,527	\$ 185,959	\$ 2,776,231

See notes to the financial statements

**SPRING LAKE IMPROVEMENT DISTRICT
SEBRING, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2019**

	Major Enterprise Funds			Total
	Water	Lot Mowing	Wastewater	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers, users and other funds	\$ 616,723	\$ 199,209	\$ 207,746	\$ 1,023,678
Payments to suppliers	(243,746)	(58,873)	(187,992)	(490,611)
Payments to employees	(316,548)	(90,972)	(51,983)	(459,503)
Net cash provided (used) by operating activities	56,429	49,364	(32,229)	73,564
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of capital assets	7,500	21,500	-	29,000
Purchases of capital assets	(57,526)	(119,465)	(2,734,461)	(2,911,452)
Advances to/from other funds	48,100	-	(10,000)	38,100
Principal payments on capital debt	(26,884)	-	(1,546,508)	(1,573,392)
Proceeds from debt	-	-	4,329,198	4,329,198
Interest and fees on capital debt	(688)	-	(16,313)	(17,001)
Net cash provided (used) by capital and related financing activities	(29,498)	(97,965)	21,916	(105,547)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest earnings	23,751	6,325	323	30,399
Purchase of investments	(48,695)	32,730	50,246	34,281
Net cash provided (used) by investing activities	(24,944)	39,055	50,569	64,680
Net increase (decrease) in cash and cash equivalents	1,987	(9,546)	40,256	32,697
Cash and cash equivalents - October 1	54,509	15,206	20,875	90,590
Cash and cash equivalents - September 30	\$ 56,496	\$ 5,660	\$ 61,131	\$ 123,287
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating Income (loss)	\$ (55,509)	\$ (10,029)	\$ 72,342	\$ 6,804
Adjustments to reconcile operating income (loss) to net cash provided (used) by Operating Activities:				
Depreciation and amortization	158,956	39,947	3,918	202,821
(Increase)/Decrease in receivables	(5,012)	18,060	196	13,244
Increase/(Decrease) in accounts payable	(42,500)	1,470	(112,455)	(153,485)
Increase/(Decrease) in accrued wages	(4,681)	(1,239)	(722)	(6,642)
Increase/(Decrease) in compensated absences	10,244	1,155	4,492	15,891
Increase/(Decrease) in customer deposits	1,121	-	-	1,121
Interfund transfer	(6,190)	-	-	(6,190)
Total Adjustments	111,938	59,393	(104,571)	66,760
Net cash provided (used) by operating activities	\$ 56,429	\$ 49,364	\$ (32,229)	\$ 73,564
NONCASH INVESTING, CAPITAL OR FINANCING ITEMS:				
Disposal of capital assets	\$ (25,490)	\$ (71,801)	\$ -	\$ (97,291)
Total noncash investing, capital or financing items	\$ (25,490)	\$ (71,801)	\$ -	\$ (97,291)

See notes to the financial statements

**SPRING LAKE IMPROVEMENT DISTRICT
SEBRING, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

Spring Lake Improvement District ("District") was formed in accordance with Chapter 298 of the Florida Statutes by a special act of the Florida Legislature, Chapter 71-669, Laws of Florida 1971, (collectively referred to as the "Act"). The District is defined as an independent special district under the Uniform Special District Accountability Act of 1989, otherwise known as Chapter 189, Florida Statutes. The Act empowers the District, among other things, to provide a system of drainage and flood control, borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. Three Board members are landowner positions with one vote per acre. Two Board positions are elected by registered voters. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 189, Florida Statutes.

The Board has the responsibility for:

1. Assessing and levying assessments.
2. Approving budgets.
3. Exercising control over facilities and properties.
4. Controlling the use of funds generated by the District.
5. Approving the hiring and firing of key personnel.
6. Financing improvements.

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; operating-type special assessments for maintenance and debt service are treated as charges for services and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not included among program revenues are reported instead as *general revenues*.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Assessments

Assessments are non-ad valorem assessments on benefited lands within the District. Assessments are levied to pay for the operations and maintenance of the District. The fiscal year for which annual assessments are levied begins on October 1 with discounts available for payments through February 28 and become delinquent on April 1. The District's annual assessments are billed and collected by the County Tax Assessor/Collector. The amounts remitted to the District are net of applicable discounts or fees and include interest on monies held from the day of collection to the day of distribution.

Assessments and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The portion of assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

The District reports the following major governmental funds:

General Fund

The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The following major proprietary funds are used by the District:

Water Fund

This enterprise fund is used to account for the operations of the water services within the District. The costs of providing services to the residents are recovered primarily through user charges.

Lot Mowing Fund

This enterprise fund is used to account for the mowing operations and maintenance of property within the District. The costs of providing services are recovered primarily through user charges.

Wastewater Fund

This enterprise fund is used to account for the operations of the wastewater services within the District. The costs of providing services to the residents are recovered primarily through user charges.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues 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 revenues of the District's enterprise fund are charges to customers for sales and services. Operating expenses of the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first for qualifying expenditures, then unrestricted resources as they are needed.

Assets, Liabilities and Net Position or Equity

Restricted Assets

These assets represent cash and investments set aside pursuant to loan covenants or other contractual restrictions.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits (interest and non-interest bearing).

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The District may invest any surplus public funds in the following:

- a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act;
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c) Interest bearing time deposits or savings accounts in qualified public depositories;
- d) Direct obligations of the U.S. Treasury.

The State Board of Administration's ("SBA") Local Government Surplus Funds Trust Fund ("Florida PRIME") is a "2a-7 like" pool. A "2a-7 like" pool is an external investment pool that is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, which comprises the rules governing money market funds. Thus, the pool operates essentially as a money market fund. The District has reported its investment in Florida PRIME at amortized cost for financial reporting purposes.

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due. In addition, surplus funds may be deposited into certificates of deposit which are insured.

The District records all interest revenue related to investment activities in the respective funds. Investments are measured at amortized cost or reported at fair value as required by generally accepted accounting principles.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Capital Assets

Capital assets which include property, plant and equipment, and infrastructure assets (e.g., culverts, pumping stations, and similar items) are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Water and wastewater	10 - 40
Equipment	5 - 15
Infrastructure	20 - 40
Buildings	10 - 40

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned.

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick leave and vacation leave benefits. Time accrues based on the level and length of service. Upon termination, vacation time is paid at 100% of qualifying time earned (up to a maximum of 240 hours) but untaken. Except for the District Manager, sick time is not paid on termination. All vacation leave is accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Liability for accrued compensated absences of the governmental activities is not reported in the balance sheet of the governmental funds and, accordingly, represents a reconciling item between the fund and government-wide presentations.

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Fund Equity/Net Position

In the fund financial statements, governmental funds report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change.

The District can establish limitations on the use of fund balance as follows:

Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Supervisors. Commitments may be changed or lifted only by the Board of Supervisors taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned fund balance – Includes spendable fund balance amounts established by the Board of Supervisors that are intended to be used for specific purposes that are neither considered restricted nor committed. The Board may also assign fund balance as it does when appropriating fund balance to cover differences in estimated revenue and appropriations in the subsequent year's appropriated budget. Assignments are generally temporary and normally the same formal action need not be taken to remove the assignment.

The District first uses committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position in the government-wide financial statements are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net position related to infrastructure and property, plant and equipment. Restricted net position represents the assets restricted by the District's Bond covenants or other contractual restrictions. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

Other Disclosures

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 – BUDGETARY INFORMATION

The District is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year-end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

- a) Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- b) Public hearings are conducted to obtain public comments.
- c) Prior to October 1, the budget is legally adopted by the District Board.
- d) All budget changes must be approved by the District Board.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits

The District's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

Investments

The District's investments were held as follows at September 30, 2019:

Investment	Maturities	Amortized Cost	Credit Risk
Investment in Local Government Surplus Funds Trust Fund (Florida PRIME)	Weighted average of the fund portfolio: 37 days	\$ 31,162	S&P AAAm
FL Class	Weighted average of the fund portfolio: 54 days	2,005,012	S&P AAAm
Total Investments		<u>\$ 2,036,174</u>	

Credit risk – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

Concentration risk – The District places no limit on the amount the District may invest in any one issuer.

Interest rate risk – The District does not have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

However, the Bond Indenture limits the type of investments held using unspent proceeds.

Fair Value Measurement – When applicable, the District measures and records its investments using fair value measurement guidelines established in accordance with GASB Statements. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques.

These guidelines recognize a three-tiered fair value hierarchy, in order of highest priority, as follows:

- *Level 1:* Investments whose values are based on unadjusted quoted prices for identical investments in active markets that the District has the ability to access;
- *Level 2:* Investments whose inputs - other than quoted market prices - are observable either directly or indirectly; and,
- *Level 3:* Investments whose inputs are unobservable.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the entire fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

For external investment pools that qualify to be measured at amortized cost, the pool's participants should also measure their investments in that external investment pool at amortized cost for financial reporting purposes. Accordingly, the District's investments in Florida Prime have been reported at amortized cost above.

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

External Investment Pool – With regard to redemption gates, Chapter 218.409(8)(a), Florida Statutes, states that “The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days.”

With regard to liquidity fees, Florida Statute 218.409(4) provides District for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

As of September 30, 2019, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100% of their account value.

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at September 30, 2019 were as follows:

Fund	Receivable	Payable
Water	185,000	-
Wastewater	-	185,000
Total	\$ 185,000	\$ 185,000

The outstanding balances between funds result primarily from advances from the Water Fund to finance certain operating and infrastructure expenses.

NOTE 6 –RECEIVABLES

Receivables at September 30, 2019 were as follows:

	General Fund	Water	Lot Mowing	Wastewater	Totals
Receivables:					
Assessments	\$ 625,209	\$ -	\$ 137,310	\$ -	\$ 762,519
Accounts receivable	10,235	59,589	-	15,998	85,822
Total receivables	635,444	59,589	137,310	15,998	848,341
Less allowance for doubtful accounts	(623,929)	(10,895)	(137,310)	-	(772,134)
Net receivables	\$ 11,515	\$ 48,694	\$ -	\$ 15,998	\$ 76,207

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2019 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Land and land improvements	\$ 939,930	\$ -	\$ -	\$ 939,930
Total capital assets, not being depreciated	939,930	-	-	939,930
Capital assets being depreciated:				
Buildings	413,328	-	-	413,328
Infrastructure	7,472,376	87,684	-	7,560,060
Equipment	1,039,409	115,048	(37,627)	1,116,830
Total capital assets, being depreciated	8,925,113	202,732	(37,627)	9,090,218
Less accumulated depreciation for:				
Buildings	(199,957)	(23,193)	-	(223,150)
Infrastructure	(2,189,182)	(264,106)	-	(2,453,288)
Machinery and equipment	(619,782)	(103,527)	37,627	(685,682)
Total accumulated depreciation	(3,008,921)	(390,826)	37,627	(3,362,120)
Total capital assets, being depreciated, net	5,916,192	(188,094)	-	5,728,098
Governmental activities capital assets, net	\$ 6,856,122	\$ (188,094)	\$ -	\$ 6,668,028
<u>Business-type Activities</u>				
Capital assets not being depreciated:				
Land and land improvements	\$ 100,130	\$ -	\$ -	\$ 100,130
Construction in progress	454,437	2,876,269	-	3,330,706
Total capital assets, not being depreciated	554,567	2,876,269	-	3,430,836
Capital assets being depreciated:				
Buildings	289,314	-	-	289,314
Water system	3,047,442	8,437	-	3,055,879
Wastewater system	20,971	-	-	20,971
Equipment	770,164	170,503	(97,291)	843,376
Total capital assets, being depreciated	4,127,891	178,940	(97,291)	4,209,540
Less accumulated depreciation for:				
Buildings	(161,115)	(8,255)	-	(169,370)
Water system	(2,345,371)	(86,132)	-	(2,431,503)
Wastewater system	(5,633)	(3,475)	-	(9,108)
Equipment	(433,380)	(104,959)	97,291	(441,048)
Total accumulated depreciation	(2,945,499)	(202,821)	97,291	(3,051,029)
Total capital assets, being depreciated, net	1,182,392	(23,881)	-	1,158,511
Business-type activities capital assets, net	\$ 1,736,959	\$ 2,852,388	\$ -	\$ 4,589,347

NOTE 7 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to function/programs as follows:

<u>Governmental Activities:</u>	
Physical environment	\$ 346,917
Parks and recreation	43,909
Total depreciation expense	<u>\$ 390,826</u>
<u>Business-type Activities</u>	
Water	\$ 158,956
Wastewater	39,947
Lot mowing	3,918
Total depreciation expense	<u>\$ 202,821</u>

NOTE 8 – LONG-TERM LIABILITIES

Long-term debt consists of the following at September 30, 2019:

Governmental Activities:

A loan payable in the amount of \$702,459 with an interest rate of 6.25% is dated August 27, 2008, due in 10 annual installments of \$97,071, including interest, with the final payment due September 27, 2018, and secured by a pledge of the Assessment for the Maintenance Tax Levy. The loan was refinanced in March 2016. Under the refinanced terms, payments are due in 239 monthly installments of \$2,126, including interest of 4.5%, with the final payment due in March 2035. Starting in March 2020, the interest rate converts to a variable rate based on the Treasury Constant Maturity 5 Year rate, plus 3.50%. Principal and interest payments for the current year were \$25,518 and the current year assessment designated as 20 year capital loan was \$26,000. See Note 13 the loan was paid off subsequent to year end.

Construction loan with the Florida Department of Environmental Protection with 0% interest. The first payment of \$37,878 was due in October 2017. The remaining balance is payable in 59 equal semi-annual installments of \$32,870 (April and October), and the final payment is due in April 2047. Maximum borrowing under the agreement are \$1,938,444, and balance at the end of the current fiscal year is \$1,804,540. The loan is secured by a pledge of drainage assessment and general assessment revenues after payments on any senior obligations. Current year drainage and assessment revenues was \$776,905.

During the 2018 fiscal year, the District entered into a loan agreement for the acquisition of a generator in the amount of \$194,907 with an interest rate of 4.8% dated July 25, 2018, due in 59 monthly installments of \$3,666.91, including interest, with a final payment of \$3,666.79 due July 25, 2023. Principal and interest payments for the current year were \$44,003. See Note 13 the loan was paid off subsequent to year end.

Business-type Activities:

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

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Business-type Activities (continued):

During the 2017 fiscal year, the District entered a Construction Design loan with the Florida Department of Environmental Protection with 0% interest. The loan is payable in 40 equal semi-annual installments (April and October), beginning on April 15, 2019, and the final payment is due in April 2039. Maximum borrowing under the agreement is \$216,000, and balance at the end of the current fiscal year is \$214,812. The loan is secured by a pledge of the gross revenues of the wastewater system after payment of operation and maintenance expense and yearly payments on any senior obligations.

In March 2018, the District entered a Construction Loan Agreement with the Florida Department of Environmental Protection to construct the Wastewater Treatment Plant for a principal amount up to \$3,145,000. The loan has a 30 year term with 0% interest. The loan is payable in equal semi-annual installments (April and October), beginning on April 15, 2020. The loan is secured by a pledge of the gross revenues of the wastewater system after payment of operation and maintenance expense and yearly payments on any senior obligations. The balance at the end of the current fiscal year is \$2,683,878. The loan was amended in October 2019, to increase maximum funding to \$3,345,000. Under the amendment, the loan is payable in equal semi-annual installments (April and October), beginning on October 15, 2020. The final loan amount has not yet been determined. As a result, a current amortization schedule is unavailable and amounts have not been included in the repayment schedule below.

Long-term Debt Activity

Changes in long-term liability activity for the fiscal year ended September 30, 2019 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Loan payable	\$ 293,432	\$ -	\$ (12,565)	\$ 280,867	\$ 12,370
State Revolving Loan 280500	1,868,988	-	(64,448)	1,804,540	64,448
Loan payable (generator)	189,173	-	(35,586)	153,587	37,338
Compensated absences	21,176	38,499	(28,244)	31,431	31,431
Total	<u>\$ 2,372,769</u>	<u>\$ 38,499</u>	<u>\$ (140,843)</u>	<u>\$ 2,270,425</u>	<u>\$ 145,587</u>
<u>Business-type Activities</u>					
Capital lease	\$ 33,741	\$ -	\$ (26,884)	\$ 6,857	\$ 6,857
State Revolving Loan 280510	216,000	4,320	(5,508)	214,812	11,016
State Revolving Loan 280511	-	2,683,878	-	2,683,878	-
Compensated absences	23,199	51,017	(35,126)	39,090	39,090
Total	<u>\$ 272,940</u>	<u>\$ 2,739,215</u>	<u>\$ (67,518)</u>	<u>\$ 2,944,637</u>	<u>\$ 56,963</u>

At September 30, 2019, the scheduled debt service requirements on the long-term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2020	\$ 114,934	\$ 20,327	\$ 135,261
2021	117,415	17,846	135,261
2022	119,998	15,262	135,260
2023	115,359	12,568	127,927
2024	80,183	11,074	91,257
2025-2029	412,448	43,841	456,289
2030-2034	435,162	21,135	456,297
2035-2039	327,902	6,496	334,398
2040-2044	322,239	6,461	328,700
2045-2046	193,354	6,456	199,810
Total	<u>\$ 2,238,994</u>	<u>\$ 161,466</u>	<u>\$ 2,400,460</u>

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Year ending September 30:	Business-type Activities		
	Principal	Interest	Total
2020	\$ 11,016	\$ -	\$ 11,016
2021	11,016	-	11,016
2022	11,016	-	11,016
2023	11,016	-	11,016
2024	11,016	-	11,016
2025-2029	55,080	-	55,080
2030-2034	55,080	-	55,080
2035-2039	49,572	-	49,572
Total	<u>\$ 214,812</u>	<u>\$ -</u>	<u>\$ 214,812</u>

The future minimum lease obligation and net present value of minimum capital lease payments as of September 30, 2019 is as follows:

Fiscal year ending September 30,	Business-type Activities
2020	\$ 6,894
Total minimum payments	6,894
Less: amount representing interest	(37)
Present value of minimum lease payments	<u>\$ 6,857</u>

Assets acquired under capital lease as of September 30, 2019 is as follows:

Cost of equipment (backhoe) under capital lease	\$ 103,656
Accumulated depreciation - backhoe	(40,599)
Net book value of equipment (backhoe) under capital lease	<u>\$ 63,057</u>

NOTE 9 – LINE OF CREDIT

The District maintains a \$750,000 renewable unsecured line of credit agreement with Center State Bank. The variable rate line of credit has a five year term, with the current renewal terminating on July 2, 2020. The variable interest rate is based on the Wall Street Journal US Prime Rate plus 1%. As of September 30, 2019, the outstanding balance is \$100,000. During the current fiscal year, the District made draws of \$1,641,000 and repaid \$1,541,000. See Note 13 for additional information subsequent to year end.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

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

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

As of September 30, 2019, the District had open contracts for various construction projects. The contracts totaled approximately \$3.3 million, of which approximately \$189,000 was uncompleted at September 30, 2019.

NOTE 11 - RETIREMENT PLAN

For those employees who are 21 years old and have two years of service, the District contributes 6% of the employees' gross wages to an IRA/SEP plan. The District contributed \$33,697 and \$36,637 for the fiscal years ended September 30, 2019 and 2018, respectively.

NOTE 12 – 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; and natural disasters. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. Settled claims from these risks have not exceeded insurance coverage over the past three years.

NOTE 13 – SUBSEQUENT EVENTS

Debt Payments

Loans

Subsequent to the end of the fiscal year, the District paid off the two government activities loan payable balances of \$280,867 and \$153,587.

Line of Credit

Subsequent to the end of the fiscal year, the District paid off its line of credit with Center State Bank.

Debt Issuance

Loans

In January 2020, the District entered a new fifteen year \$421,892 loan agreement with First Southern Bank. The loan has a variable interest rate based on the 5 Year Treasury Index plus 3.5%. The initial rate on the loan is 4.5% and the change date begins January 16, 2025 and every 5 years thereafter. The loan requires monthly payments of \$3,241 commencing on February 16, 2020 through January 16, 2025, and monthly payments of \$3,257 thereafter through January 16, 2035.

Line of Credit

In January 2020, the District entered a new \$750,000 unsecured line of credit agreement with First Southern Bank. The loan is a variable rate line of credit and has a five year term maturing on January 16, 2025. The variable interest rate is based on the Wall Street Journal US Prime Rate. The District made draws of \$115,000 on its line of credit to finance certain expenditures in advance of receiving other funding.

State Revolving Loan

In November 2019, the District entered a Drinking Water State Revolving Fund Planning and Design Loan Agreement with the Florida Department of Environmental Protection to finance planning and design activities for upgrades to water infrastructure facilities for a principal amount up to \$462,000. The loan has a 20 year term with an interest rate of 1.88% interest. The loan is payable in equal semi-annual installments (June and December), beginning on December 15, 2021. The loan is secured by a pledge of the gross revenues of the water system after payment of operation and maintenance expense and yearly payments on any senior obligations.

**SPRING LAKE IMPROVEMENT DISTRICT
SEBRING, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Assessments	\$ 1,089,447	\$ 1,089,447	\$ 984,667	\$ (104,780)
Intergovernmental revenues	-	35,770	106,375	70,605
Charges for services	96,779	96,779	98,201	1,422
Interest income	6,200	6,200	22,081	15,881
Miscellaneous income	-	15,000	9,800	(5,200)
Total revenues	<u>1,192,426</u>	<u>1,243,196</u>	<u>1,221,124</u>	<u>(22,072)</u>
EXPENDITURES				
Current:				
General government	253,009	289,160	201,683	87,477
Physical environment:				
Drainage	462,979	428,529	397,680	30,849
Mosquito control	38,787	39,487	24,187	15,300
Transportation:				
Street lighting	93,250	93,250	92,614	636
Parks and recreation	176,251	161,151	152,931	8,220
Debt Service:				
Principal	115,240	115,240	112,599	2,641
Interest	21,000	21,000	22,662	(1,662)
Capital outlay	-	193,235	202,732	(9,497)
Total expenditures	<u>1,160,516</u>	<u>1,341,052</u>	<u>1,207,088</u>	<u>133,964</u>
Excess (deficiency) of revenues over (under) expenditures	31,910	(97,856)	14,036	111,892
OTHER FINANCING SOURCES (USES)				
Transfer to water fund	(38,100)	(38,100)	-	38,100
Transfer in	6,190	6,190	6,190	-
Use of fund balance	-	129,766	-	(129,766)
Total other financing sources and (uses)	<u>(31,910)</u>	<u>97,856</u>	<u>6,190</u>	<u>(91,666)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>20,226</u>	<u>\$ 20,226</u>
Fund balance - beginning			<u>802,159</u>	
Fund balance - ending			<u>\$ 822,385</u>	

See notes to required supplementary information

**SPRING LAKE IMPROVEMENT DISTRICT
SEBRING, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

The District is required to establish a budgetary system and an approved Annual Budget for the general fund. The District's budgeting process is based on estimates of cash receipts and cash expenditures which are approved by the Board. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The general fund budget for the fiscal year ended September 30, 2019 was amended to increase revenues by \$50,770, appropriations by \$180,536, and use of fund balance by \$129,766. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2019.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of Spring Lake Improvement District, Sebring, Florida ("District") as of and for the fiscal year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated April 8, 2020.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.


Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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*.

Purpose of this Report

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



April 8, 2020



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR
STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY CHAPTER 10.550 RULES OF THE AUDITOR GENERAL**

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

Report on Compliance for the Major State Project

We have audited the Spring Lake Improvement District’s (the “District”) compliance with the types of compliance requirements described in the *Department of Financial Services’ State Projects Compliance Supplement* that could have a direct and material effect on the District’s major state project for the fiscal year ended September 30, 2019. The District’s major state project is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with state statutes, laws, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the District’s major state project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; and Chapter 10.550, Rules of the Auditor General. Those standards and Chapter 10.550 Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major state project. However, our audit does not provide a legal determination of the District’s compliance.

Opinion on the Major State Project

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state project for the fiscal year ended September 30, 2019.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District’s internal control over compliance with the types of requirements that could have a direct and material effect on the major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major state project and to test and report on internal control over compliance in accordance with Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Bhav & Associates

April 8, 2020

**SPRING LAKE IMPROVEMENT DISTRICT
SEBRING, FLORIDA
SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
FISCAL YEAR ENDED SEPTEMBER 30, 2019**

State Agency, <i>State Project</i>	CSFA Number	Contract Number	State Appropriation Category	Expenditures
STATE FINANCIAL ASSISTANCE				
Florida Department of Environmental Protection				
<i>Wastewater Treatment Facility Construction</i>	37.077	WW280511	140131	\$ 2,876,634
Total Expenditures of State Financial Assistance				\$ 2,876,634

See accompanying notes to schedule of expenditures of state financial assistance.

**SPRING LAKE IMPROVEMENT DISTRICT
SEBRING, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE**

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of state financial assistance includes the state revolving loan activity of the Spring Lake Improvement District, Sebring, Florida (the "District") under the state project for the fiscal year ended September 30, 2019. The information in this schedule is presented in accordance with the requirements of Chapter 10.550, Rules of the Auditor General. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting.

**SPRING LAKE IMPROVEMENTDISTRICT
SEBRING, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
STATE PROJECTS
FISCAL YEAR ENDED SEPTEMBER 30, 2019**

A. SUMMARY OF AUDITOR’S RESULTS

1. The auditor’s report expresses an unmodified opinion on the financial statements of the Spring Lake Improvement District, Sebring, Florida (the “District”).
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major state project are reported in the independent auditor’s report on compliance for each major State project and on internal control over compliance required by Chapter 10.550, rules of the Auditor General.
5. The independent auditor’s report on compliance with requirements that could have a direct and material effect on the state project for the District expresses an unmodified opinion.
6. Audit findings relative to the state project for the District are reported in Parts C and D of this Schedule.
7. The state project tested as a major project include:

<u>State Project</u>	<u>CSFA#</u>
Florida Department of Environmental Protection Wastewater Treatment Facility Construction	37.077
8. The dollar threshold used to distinguish between Type A or Type B for major state projects was \$750,000.

B. FINDINGS –FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS – STATE PROJECTS

None

D. OTHER ISSUES

1. No corrective action plan is required because there were no findings required to be reported under the Florida Single Audit Act.

E. PRIOR YEAR FINDINGS - MAJOR STATE PROJECTS

Not Applicable



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

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

We have examined Spring Lake Improvement District, Sebring, Florida's ("District") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2019. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced in Section 218.415, Florida Statutes. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2019.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, management, and the Board of Supervisors of Spring Lake Improvement District, Sebring, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Grau & Associates

April 8, 2020



**MANAGEMENT LETTER PURSUANT TO THE RULES OF
THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of Spring Lake Improvement District, Sebring, Florida ("District") as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated April 8, 2020.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated April 8, 2020, should be considered in conjunction with this management letter.

Purpose of this Letter

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General of the state of Florida. Accordingly, in connection with our audit of the financial statements of the District, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.**
- II. Status of prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, as applicable, management, and the Board of Supervisors of Spring Lake Improvement District, Sebring, Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Spring Lake Improvement District, Sebring, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements, and the courtesies extended to us.

Grau & Associates

April 8, 2020

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. PRIOR YEAR FINDINGS

2018-01, 2017-01 Payroll Policies and Procedures:

Current Status: Recommendation has been implemented.

2018-02, 2017-03 Procurement Policies and Procedures:

Current Status: Recommendation has been implemented.

III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2018, except as noted above.

2. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2019.

3. Noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2019.

4. The name or official title and legal District of the District are disclosed in the notes to the financial statements.
5. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
6. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2019. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information.