

**SPRING LAKE IMPROVEMENT DISTRICT  
SEBRING, FLORIDA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2020**

**SPRING LAKE IMPROVEMENT DISTRICT  
SEBRING, FLORIDA**

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# Grau & Associates

CERTIFIED PUBLIC ACCOUNTANTS

951 Yamato Road • Suite 280  
Boca Raton, Florida 33431  
(561) 994-9299 • (800) 299-4728  
Fax (561) 994-5823  
www.graucpa.com

## 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, 2020, 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, 2020, 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 16, 2021, 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 16, 2021

## 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, 2020. 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 \$8,621,737.
- The change in the District's total net position in comparison with the prior fiscal year was \$625,518, an increase. 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, 2020, the District's governmental fund reported ending fund balance of \$1,021,672, an increase of \$199,287 in comparison with the prior fiscal year. A portion of the fund balance is nonspendable for prepaid items, 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 SEPTEMBER 30,					
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets, excluding capital assets	\$ 1,048,685	\$ 834,473	\$ 1,605,804	\$ 1,447,957	\$ 2,654,489	\$ 2,282,430
Capital assets, net of depreciation	6,358,085	6,668,028	5,947,963	4,589,347	12,306,048	11,257,375
Total assets	7,406,770	7,502,501	7,553,767	6,037,304	14,960,537	13,539,805
Liabilities, excluding long-term liabilities	27,013	12,088	292,117	216,436	319,130	228,524
Long-term liabilities	2,182,851	2,270,425	3,836,819	3,044,637	6,019,670	5,315,062
Total liabilities	2,209,864	2,282,513	4,128,936	3,261,073	6,338,800	5,543,586
Net position						
Net investment in capital assets	4,207,913	4,427,606	2,083,561	1,580,754	6,291,474	6,008,360
Restricted for:						
Debt service	67,438	66,651	59,036	-	126,474	66,651
Unrestricted	921,555	725,731	1,282,234	1,195,477	2,203,789	1,921,208
Total net position	\$ 5,196,906	\$ 5,219,988	\$ 3,424,831	\$ 2,776,231	\$ 8,621,737	\$ 7,996,219

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

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	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues						
Charges for services	\$ 1,103,009	\$ 1,082,868	\$ 1,154,650	\$ 1,009,313	\$ 2,257,659	\$ 2,092,181
Capital grants and contributions	42,563	106,375	720,803	-	763,366	106,375
General revenues						
Investment earnings	10,781	22,081	14,682	30,399	25,463	52,480
Miscellaneous	2,360	2,300	-	-	2,360	2,300
Gain on sale of capital assets	654	7,500	-	29,000	654	36,500
Total revenues	1,159,367	1,221,124	1,890,135	1,068,712	3,049,502	2,289,836
Expenses:						
General government	216,587	211,938	-	-	216,587	211,938
Physical environment	668,247	768,784	-	-	668,247	768,784
Transportation	92,322	92,614	-	-	92,322	92,614
Parks and recreation	190,555	196,840	-	-	190,555	196,840
Interest on long-term debt	20,928	22,662	-	-	20,928	22,662
Water utility	-	-	691,273	676,811	691,273	676,811
Lot mow ing	-	-	196,761	191,178	196,761	191,178
Wastew ater	-	-	347,311	151,521	347,311	151,521
Total expenses	1,188,639	1,292,838	1,235,345	1,019,510	2,423,984	2,312,348
Transfers	6,190	6,190	(6,190)	(6,190)	-	-
Change in net position	(23,082)	(65,524)	648,600	43,012	625,518	(22,512)
Net position - beginning	5,219,988	5,285,512	2,776,231	2,733,219	7,996,219	8,018,731
Net position - ending	\$ 5,196,906	\$ 5,219,988	\$ 3,424,831	\$ 2,776,231	\$ 8,621,737	\$ 7,996,219

## 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, 2020 was \$1,188,639. 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 capital grants 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 capital grants and increase charges for services.

## 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, 2020 was amended to increase revenues and appropriations by \$42,000. Actual general fund expenditures for the fiscal year ended September 30, 2020 exceeded appropriations by \$140,605. The over expenditures were funded by available fund balance.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At September 30, 2020, the District had \$10,101,193 invested in capital assets for its governmental activities. In the government-wide financial statements depreciation of \$3,743,108 has been taken, which resulted in a net book value of \$6,358,085. The District's business-type activities reported net capital assets of \$5,947,963. More detailed information about the District's capital assets is presented in the notes of the financial statements.

### Capital Debt

At September 30, 2020, the District had \$2,148,744 in loans outstanding for its governmental activities. For business-type activities, the District had loans outstanding of \$3,794,402. 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 began its Route 98 Legislative Appropriation Project for the extension of sewer lines in the current year. 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. State Revolving Funds, (SRF), loan repayments for the Storm 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, 2020**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 24,861	\$ 96,834	\$ 121,695
Investments	849,562	1,043,859	1,893,421
Accounts receivable (net)	8,064	76,635	84,699
Assessments receivable	6,506	-	6,506
Due from other governments	-	237,510	237,510
Internal balances	91,774	(91,774)	-
Restricted assets:			
Cash and cash equivalents	-	55,821	55,821
Investments	67,438	186,182	253,620
Prepays	480	737	1,217
Capital assets:			
Nondepreciable	938,084	1,461,785	2,399,869
Depreciable, net	5,420,001	4,486,178	9,906,179
Total assets	<u>7,406,770</u>	<u>7,553,767</u>	<u>14,960,537</u>
<b>LIABILITIES</b>			
Accounts payable	23,271	50,682	73,953
Accrued wages	3,742	5,237	8,979
Contracts and retainage payable	-	63,227	63,227
Payable from restricted assets:			
Customer deposits	-	55,821	55,821
Unearned revenue	-	47,150	47,150
Line of credit payable		70,000	70,000
Non-current liabilities:			
Due within one year	119,241	162,887	282,128
Due in more than one year	2,063,610	3,673,932	5,737,542
Total liabilities	<u>2,209,864</u>	<u>4,128,936</u>	<u>6,338,800</u>
<b>NET POSITION</b>			
Net investment in capital assets	4,207,913	2,083,561	6,291,474
Restricted for:			
Debt service	67,438	59,036	126,474
Unrestricted	921,555	1,282,234	2,203,789
Total net position	<u>\$ 5,196,906</u>	<u>\$ 3,424,831</u>	<u>\$ 8,621,737</u>

See notes to the financial statements

**SPRING LAKE IMPROVEMENT DISTRICT  
SEBRING, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

Functions/Programs Primary government:	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
General government	\$ 216,587	\$ 413,216	\$ -	\$ 196,629	\$ -	\$ 196,629
Physical environment	668,247	408,400	563	(259,284)	-	(259,284)
Transportation	92,322	101,734	-	9,412	-	9,412
Parks and recreation	190,555	179,659	42,000	31,104	-	31,104
Interest on long-term debt	20,928	-	-	(20,928)	-	(20,928)
Total governmental activities	1,188,639	1,103,009	42,563	(43,067)	-	(43,067)
Business-type activities:						
Water utility	691,273	661,232	-	-	(30,041)	(30,041)
Lot mowing	196,761	183,598	-	-	(13,163)	(13,163)
Wastewater	347,311	309,820	720,803	-	683,312	683,312
Total business-type activities	1,235,345	1,154,650	720,803	-	640,108	640,108
General revenues:						
Unrestricted investment earnings				10,781	14,682	25,463
Miscellaneous income				2,360	-	2,360
Gain on sale of capital assets				654	-	654
Total general revenues				13,795	14,682	28,477
Transfers				6,190	(6,190)	-
Change in net position				(23,082)	648,600	625,518
Net position - beginning				5,219,988	2,776,231	7,996,219
Net position - ending				\$ 5,196,906	\$ 3,424,831	\$ 8,621,737

See notes to the financial statements

**SPRING LAKE IMPROVEMENT DISTRICT  
SEBRING, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2020**

	Major Fund General Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 24,861
Investments	849,562
Accounts receivable (net)	8,064
Assessments receivable	6,506
Prepays	480
Restricted investments	67,438
Advance to other funds	91,774
Total assets	\$ 1,048,685
 <b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	\$ 23,271
Accrued wages	3,742
Total liabilities	27,013
 Fund balances:	
Nonspendable:	
Prepaid items	480
Restricted for:	
Debt service	67,438
Unassigned	953,754
Total fund balance	1,021,672
Total liabilities and fund balance	\$ 1,048,685

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, 2020**

Total fund balances - governmental funds \$ 1,021,672

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	10,101,193	
Accumulated depreciation	<u>(3,743,108)</u>	6,358,085

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	(2,148,744)	
Compensated absences	<u>(34,107)</u>	<u>(2,182,851)</u>
Net position of governmental activities		<u><u>\$ 5,196,906</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, 2020**

	Major Fund
	General Fund
<b>REVENUES</b>	
Assessments	\$ 998,738
Intergovernmental revenues	42,563
Charges for services	104,271
Interest income	10,781
Miscellaneous income	2,360
Total revenues	1,158,713
<b>EXPENDITURES</b>	
Current:	
General government	213,911
Physical environment:	
Drainage	296,264
Mosquito control	26,746
Transportation:	
Street lighting	92,322
Parks and recreation	146,827
Debt Service:	
Principal	512,142
Interest	20,928
Capital outlay	80,868
Total expenditures	1,390,008
Excess (deficiency) of revenues over (under) expenditures	(231,295)
<b>OTHER FINANCING SOURCES AND (USES)</b>	
Interfund transfers in	6,190
Proceeds from sale of capital assets	2,500
Loan proceeds	421,892
Total other financing sources and (uses)	430,582
Net change in fund balance	199,287
Fund balance - beginning	822,385
Fund balance - ending	\$ 1,021,672

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, 2020**

Net change in fund balances - total governmental funds	\$ 199,287
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.	(388,965)
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.	80,868
Governmental funds debt proceeds as financial resources when debt is first issued, whereas these amounts are eliminated in the statement of activities and recognized as long-term liabilities in the statement of net position.	(421,892)
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.	512,142
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	(2,676)
Loss on disposal of capital assets	(1,846)
Change in net position of governmental activities	<u>\$ (23,082)</u>

See notes to the financial statements

**SPRING LAKE IMPROVEMENT DISTRICT  
SEBRING, FLORIDA  
STATEMENT OF NET POSITION - PROPRIETARY FUND  
SEPTEMBER 30, 2020**

	Major Enterprise Funds			Total
	Water	Lot Mowing	Wastewater	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 73,291	\$ 14,413	\$ 9,130	\$ 96,834
Investments	810,732	233,127	-	1,043,859
Receivables, net	51,381	577	24,677	76,635
Grant receivable		-	237,510	237,510
Noncurrent assets:				
Advances to other funds	175,000	-	-	175,000
Restricted assets:				
Cash and cash equivalents	55,821	-	-	55,821
Investments	59,036	-	127,146	186,182
Prepays	474	152	111	737
Capital assets:				
Capital assets not being depreciated	492,865	-	968,920	1,461,785
Capital assets being depreciated	3,994,954	325,743	3,533,440	7,854,137
Less accumulated depreciation	(3,070,480)	(169,422)	(128,057)	(3,367,959)
Total capital assets, net	1,417,339	156,321	4,374,303	5,947,963
Total assets	2,643,074	404,590	4,772,877	7,820,541
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	43,475	2,466	4,741	50,682
Retainage payable	-	-	63,227	63,227
Accrued wages	2,937	1,075	1,225	5,237
Unearned revenues	47,150	-	-	47,150
Payable from restricted assets:				
Customer deposits	55,821	-	-	55,821
Line of credit	-	-	70,000	70,000
Loan payable	-	-	120,470	120,470
Compensated absences	26,883	6,321	9,213	42,417
Noncurrent liabilities:				
Loan payable	307,000	-	3,366,932	3,673,932
Advances from other funds	-	-	266,774	266,774
Total liabilities	483,266	9,862	3,902,582	4,395,710
<b>NET POSITION</b>				
Net investment in capital assets	1,110,339	156,321	816,901	2,083,561
Restricted for parkway maintenance	59,036	-	-	59,036
Unrestricted	990,433	238,407	53,394	1,282,234
Total net position	\$ 2,159,808	\$ 394,728	\$ 870,295	\$ 3,424,831

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, 2020**

	Major Enterprise Funds			Total
	Water	Lot Mowing	Wastewater	
<b>OPERATING REVENUES</b>				
Charges for sales and services	\$ 661,232	\$ 183,598	\$ 309,820	\$ 1,154,650
Total operating revenues	661,232	183,598	309,820	1,154,650
<b>OPERATING EXPENSES</b>				
Personnel services	341,479	79,168	128,199	548,846
Contract services	38,734	7,525	37,045	83,304
Other operating expenses	84,950	33,254	58,409	176,613
Repairs and maintenance	41,474	13,218	1,821	56,513
Office expense	29,249	8,966	3,574	41,789
Depreciation	155,350	54,630	113,267	323,247
Total operating expense	691,236	196,761	342,315	1,230,312
Operating income (loss)	(30,004)	(13,163)	(32,495)	(75,662)
<b>NON OPERATING REVENUE (EXPENSES)</b>				
Interest income	11,294	2,364	1,024	14,682
Interest expense	(37)	-	(4,996)	(5,033)
Total non operating revenue (expenses)	11,257	2,364	(3,972)	9,649
Income before other revenues and transfers	(18,747)	(10,799)	(36,467)	(66,013)
Capital contributions- grant revenue	-	-	720,803	720,803
Transfers in (out)	(6,190)	-	-	(6,190)
Change in net position	(24,937)	(10,799)	684,336	648,600
Total net position - beginning	2,184,745	405,527	185,959	2,776,231
Total net position - ending	\$ 2,159,808	\$ 394,728	\$ 870,295	\$ 3,424,831

See notes to the financial statements



**SPRING LAKE IMPROVEMENT DISTRICT  
SEBRING, FLORIDA  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
FISCAL YEAR ENDED SEPTEMBER 30, 2020**

	Major Enterprise Funds			Total
	Water	Lot Mowing	Wastewater	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers, users and other funds	\$ 709,255	\$ 183,021	\$ 301,141	\$ 1,193,417
Payments to suppliers	(199,718)	(63,956)	(101,151)	(364,825)
Payments to employees	(336,433)	(77,597)	(126,252)	(540,282)
Net cash provided (used) by operating activities	<u>173,104</u>	<u>41,468</u>	<u>73,738</u>	<u>288,310</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Purchases of capital assets	(590,144)	(12,750)	(1,129,555)	(1,732,449)
Capital grant	-	-	483,293	483,293
Advances to/from other funds	10,000	-	81,774	91,774
Principal payments on capital debt	(6,857)	-	(726,016)	(732,873)
Proceeds from debt	307,000	-	1,284,728	1,591,728
Interest and fees on capital debt	(37)	-	(4,996)	(5,033)
Net cash provided (used) by capital and related financing activities	<u>(280,038)</u>	<u>(12,750)</u>	<u>(10,772)</u>	<u>(303,560)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest earnings	11,294	2,364	1,024	14,682
Sale/(Purchase) of investments	168,256	(22,329)	(115,991)	29,936
Net cash provided (used) by investing activities	<u>179,550</u>	<u>(19,965)</u>	<u>(114,967)</u>	<u>44,618</u>
Net increase (decrease) in cash and cash equivalents	72,616	8,753	(52,001)	29,368
Cash and cash equivalents - October 1	<u>56,497</u>	<u>5,660</u>	<u>61,131</u>	<u>123,288</u>
Cash and cash equivalents - September 30	<u>\$ 129,113</u>	<u>\$ 14,413</u>	<u>\$ 9,130</u>	<u>\$ 152,656</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>				
Operating Income (loss)	\$ (30,004)	\$ (13,163)	\$ (32,495)	\$ (75,662)
Adjustments to reconcile operating income (loss) to net cash provided (used) by Operating Activities:				
Depreciation and amortization	155,350	54,630	113,267	323,247
(Increase)/Decrease in receivables	(2,687)	(577)	(8,679)	(11,943)
(Increase)/Decrease in prepaids	(474)	(152)	(111)	(737)
Increase/(Decrease) in accounts payable	1,353	(841)	(191)	321
Increase/(Decrease) in accrued wages	2,937	1,075	1,225	5,237
Increase/(Decrease) in compensated absences	2,109	496	722	3,327
Increase/(Decrease) in customer deposits	3,560	-	-	3,560
Increase/(Decrease) in unearned revenue	47,150	-	-	47,150
Interfund transfer	(6,190)	-	-	(6,190)
Total Adjustments	<u>203,108</u>	<u>54,631</u>	<u>106,233</u>	<u>363,972</u>
Net cash provided (used) by operating activities	<u>\$ 173,104</u>	<u>\$ 41,468</u>	<u>\$ 73,738</u>	<u>\$ 288,310</u>
<b>NONCASH INVESTING, CAPITAL OR FINANCING ITEMS:</b>				
Disposal of capital assets	(6,317)	-	-	(6,317)
Total noncash investing, capital or financing items	<u>\$ (6,317)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,317)</u>

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>
Plant and improvements	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, 2020:

Investment	Amortized Cost	Fair Value	Weighted Average Maturities	Credit Risk
Florida PRIME	\$ 31,532	\$ -	48 days	S&P AAAM
FL Class	-	2,115,509	51 days	S&P AAAM
Total Investments	<u>\$ 31,532</u>	<u>\$ 2,115,509</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.

*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, 2020, 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 – ADVANCES TO/FROM FUNDS**

Advances to and from funds (receivables and payables) at September 30, 2020 were as follows:

Fund	Receivable	Payable
General	\$ 91,774	\$ -
Water	175,000	-
Wastewater	-	266,774
Total	\$ 266,774	\$ 266,774

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

**NOTE 6 –RECEIVABLES**

Receivables at September 30, 2020 were as follows:

	General Fund	Water	Lot Mowing	Wastewater	Totals
Receivables:					
Assessments	\$ 628,139	\$ -	137,887	\$ -	\$ 766,026
Accounts receivable	9,357	58,504	-	25,111	92,972
Total receivables	637,496	58,504	137,887	25,111	858,998
Less allowance for doubtful accounts	(622,926)	(7,123)	(137,310)	(434)	(767,793)
Net receivables	\$ 14,570	\$ 51,381	\$ 577	\$ 24,677	\$ 91,205



## NOTE 7 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2020 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Land and land improvements	\$ 939,930	\$ -	\$ (1,846)	\$ 938,084
Total capital assets, not being depreciated	939,930	-	(1,846)	938,084
Capital assets being depreciated:				
Buildings	413,328	42,000	-	455,328
Infrastructure	7,560,060	-	-	7,560,060
Equipment	1,116,830	38,868	(7,977)	1,147,721
Total capital assets, being depreciated	9,090,218	80,868	(7,977)	9,163,109
Less accumulated depreciation for:				
Buildings	(223,150)	(23,517)	-	(246,667)
Infrastructure	(2,453,288)	(269,516)	-	(2,722,804)
Machinery and equipment	(685,682)	(95,932)	7,977	(773,637)
Total accumulated depreciation	(3,362,120)	(388,965)	7,977	(3,743,108)
Total capital assets, being depreciated, net	5,728,098	(308,097)	-	5,420,001
Governmental activities capital assets, net	\$ 6,668,028	\$ (308,097)	\$ (1,846)	\$ 6,358,085
<u>Business-type Activities</u>				
Capital assets not being depreciated:				
Land and land improvements	\$ 100,130	\$ 91,774	\$ -	\$ 191,904
Construction in progress	3,330,706	1,269,881	(3,330,706)	1,269,881
Total capital assets, not being depreciated	3,430,836	1,361,655	(3,330,706)	1,461,785
Capital assets being depreciated:				
Buildings	289,314	-	-	289,314
Water system	3,055,879	85,688	-	3,141,567
Wastewater system	20,971	3,503,926	-	3,524,897
Equipment	843,376	61,300	(6,317)	898,359
Total capital assets, being depreciated	4,209,540	3,650,914	(6,317)	7,854,137
Less accumulated depreciation for:				
Buildings	(169,370)	(8,255)	-	(177,625)
Water system	(2,431,503)	(84,304)	-	(2,515,807)
Wastewater system	(9,108)	(112,337)	-	(121,445)
Equipment	(441,048)	(118,351)	6,317	(553,082)
Total accumulated depreciation	(3,051,029)	(323,247)	6,317	(3,367,959)
Total capital assets, being depreciated, net	1,158,511	3,327,667	-	4,486,178
Business-type activities capital assets, net	\$ 4,589,347	\$ 4,689,322	\$ (3,330,706)	\$ 5,947,963

## NOTE 7 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to function/programs as follows:

<u>Governmental Activities:</u>	
Physical environment	\$ 345,237
Parks and recreation	43,728
Total depreciation expense	<u>\$ 388,965</u>
 <u>Business-type Activities</u>	
Water	\$ 155,350
Wastewater	54,630
Lot mowing	113,267
Total depreciation expense	<u>\$ 323,247</u>

## NOTE 8 – LONG-TERM LIABILITIES

Long-term debt consists of the following at September 30, 2020:

### 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%. The loan was paid off during the current fiscal year. Principal and interest payments for the current year were \$285,561.

State Revolving 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 is \$1,938,444, and balance at the end of the current fiscal year is \$1,740,092. The loan is secured by a pledge of drainage assessment and general assessment revenues after payments on any senior obligations. Current year drainage and general assessment revenues was \$787,079. Upon any event of default and subject to the rights of others having prior liens on the Pledged Revenues, the Department may enforce its rights, including: establishing rates and collect fees and charges for use of the Stormwater System, applying to a court to appoint a receiver to manage the Stormwater System, impose a penalty in an amount not to exceed an interest rate of 18 percent per annum on the amount due in addition to charging the cost to handle and process the debt, and accelerating the repayment schedule.

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. The loan was paid off during the current fiscal year. Principal and interest payments for the current year were \$155,837.

In January 2020, the District entered into a fifteen year loan agreement with First Southern Bank in the amount of \$421,892. 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. The loan is secured by a pledge of general fund maintenance assessment revenues. Current year general assessment revenues was \$413,216. Principal and interest payments for the current year were \$25,932. In the event of a default, the lender may demand payment at anytime at their discretion.

### 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. The lease was paid off during the current fiscal year.

## 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 \$203,796. 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. Upon any event of default and subject to the rights of others having prior liens on the Pledged Revenues, the Department may enforce its rights, including: establishing rates and collect fees and charges for use of the Sewer System, applying to a court to appoint a receiver to manage the Sewer System, impose a penalty in an amount not to exceed an interest rate of 18 percent per annum on the amount due in addition to charging the cost to handle and process the debt, and accelerating the repayment schedule.

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 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) of \$53,465, beginning on October 15, 2020 and ending on April 15, 2050. The balance at the end of the current fiscal year is \$3,283,606. 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. Upon any event of default and subject to the rights of others having prior liens on the Pledged Revenues, the Department may enforce its rights, including: establishing rates and collect fees and charges for use of the Sewer System, applying to a court to appoint a receiver to manage the Sewer System, impose a penalty in an amount not to exceed an interest rate of 18 percent per annum on the amount due in addition to charging the cost to handle and process the debt, and accelerating the repayment schedule.

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 the planning and design of a public water system for a principal amount up to \$468,700. The loan has a 20 year term with 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. The balance at the end of the current fiscal year is \$307,000. 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. Upon any event of default and subject to the rights of others having prior liens on the Pledged Revenues, the Department may enforce its rights, including: establishing rates and collect fees and charges for use of the Water System, applying to a court to appoint a receiver to manage the Water System, impose a penalty in an amount not to exceed an interest rate of 18 percent per annum on the amount due in addition to charging the cost to handle and process the debt, and accelerating the repayment schedule or increasing the interest rate on the unpaid principal of the loan to as much as 1.667 times the loan interest rate.

## NOTE 8 – LONG-TERM LIABILITIES (Continued)

### Long-term Debt Activity

Changes in long-term liability activity for the fiscal year ended September 30, 2020 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Direct borrow ings:					
Loan payable (Centerstate)	\$ 280,867	\$ -	\$ (280,867)	\$ -	\$ -
State Revolving Loan 280500	1,804,540	-	(64,448)	1,740,092	64,448
Loan payable (generator)	153,587	-	(153,587)	-	-
Loan payable (First Southern)	-	421,892	(13,240)	408,652	20,686
Compensated absences	31,431	22,285	(19,609)	34,107	34,107
Total	\$ 2,270,425	\$ 444,177	\$ (531,751)	\$ 2,182,851	\$ 119,241
<b>Business-type Activities</b>					
Direct borrow ings:					
Capital lease	\$ 6,857	\$ -	\$ (6,857)	\$ -	\$ -
State Revolving Loan 280510	214,812	-	(11,016)	203,796	11,016
State Revolving Loan 280511	2,683,878	599,728	-	3,283,606	109,454
State Revolving Loan 280530	-	307,000	-	307,000	-
Compensated absences	39,090	27,715	(24,388)	42,417	42,417
Total	\$ 2,944,637	\$ 934,443	\$ (42,261)	\$ 3,836,819	\$ 162,887

At September 30, 2020, the scheduled debt service requirements on the long-term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2021	\$ 85,134	\$ 19,504	\$ 104,638
2022	86,096	18,542	104,638
2023	87,104	17,533	104,637
2024	88,117	16,521	104,638
2025	88,637	16,926	105,563
2026-2030	462,483	67,650	530,133
2031-2035	477,796	25,480	503,276
2036-2040	322,239	6,461	328,700
2041-2045	322,239	6,461	328,700
2046-2047	128,899	2,580	131,479
Total	\$ 2,148,744	\$ 197,658	\$ 2,346,402

Year ending September 30:	Business-type Activities		
	Principal	Interest	Total
2021	\$ 120,470	\$ 2,189	\$ 122,659
2022	120,470	2,189	122,659
2023	120,470	2,189	122,659
2024	120,470	2,189	122,659
2025	120,470	2,189	122,659
2026-2030	602,348	10,945	613,293
2031-2035	602,348	10,945	613,293
2036-2040	585,824	10,945	596,769
2041-2045	547,268	10,945	558,213
2046-2050	547,264	10,945	558,209
Total	\$ 3,487,402	\$ 65,670	\$ 3,553,072

## 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%. The District paid off the balance of \$100,000 during the current fiscal year.

## **NOTE 9 – LINE OF CREDIT (Continued)**

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. During the current fiscal year, the District made draws of \$685,000 on its line of credit to finance certain expenditures in advance of receiving other funding. During the current fiscal year, the District repaid \$615,000, resulting in a balance at September 30, 2020 of \$70,000.

## **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, 2020, the District had open contracts for various construction projects. The contracts totaled approximately \$4.4 million, of which approximately \$209,000 was uncompleted at September 30, 2020.

## **NOTE 11 – CONSTRUCTION AND REIMBURSEMENT AGREEMENT**

During the current fiscal year, the District executed an agreement with JGS Land Development LLC (“JGS”) whereby the District will construct and install water mains and wastewater force mains to the entrance of certain property. JGS has agreed to reimburse the District for costs incurred in connection with the construction of the improvements in an amount not to exceed \$475,000. A 10% amount is due to the District upon commencement of the project with the remainder being paid over a 10 year period with a 2% interest rate. Any costs in excess of JGS contribution will be borne by the District. The project should be completed by June 1, 2021.

## **NOTE 12 - RETIREMENT PLAN**

For those employees who are 21 years old and have two years of service, the District contributes 6% of the employees' gross wages to an IRA/SEP plan. The District contributed \$32,359 and \$36,637 for the fiscal years ended September 30, 2020 and 2019, respectively.

## **NOTE 13 – 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 14 – SUBSEQUENT EVENTS**

In November 2020, the District entered a Drinking Water State Revolving Fund Construction Loan Agreement with the State of Florida Department of Environment Protection to finance upgrades to the District's water infrastructure. The estimated principal loan amount is to \$5,970,858 and servicing fee of \$119,285. The loan has a 20 year term and financing rate of 0.24%. The loan will be repaid in semi-annual payment amounts of \$156,028, each February 15<sup>th</sup> and August 15<sup>th</sup>, beginning on August 15, 2022. The loan is secured by the gross revenues from the operation of the Utility System after payment of operation and maintenance expenses and payment obligations on senior or parity debt.

**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, 2020**

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Assessments	\$ 1,093,435	\$ 1,093,435	\$ 998,738	\$ (94,697)
Intergovernmental revenues	-	42,000	42,563	563
Charges for services	101,578	101,578	104,271	2,693
Interest income	6,200	6,200	10,781	4,581
Miscellaneous income	-	-	2,360	2,360
Total revenues	<u>1,201,213</u>	<u>1,243,213</u>	<u>1,158,713</u>	<u>(84,500)</u>
<b>EXPENDITURES</b>				
Current:				
General government	335,274	325,861	213,911	111,950
Physical environment:				
Drainage	417,382	387,847	296,264	91,583
Mosquito control	35,392	35,250	26,746	8,504
Transportation:				
Street lighting	103,500	103,500	92,322	11,178
Parks and recreation	169,115	178,351	146,827	31,524
Debt Service:				
Principal	117,240	117,240	512,142	(394,902)
Interest	19,500	19,500	20,928	(1,428)
Capital outlay	10,000	81,854	80,868	986
Total expenditures	<u>1,207,403</u>	<u>1,249,403</u>	<u>1,390,008</u>	<u>(140,605)</u>
Excess (deficiency) of revenues over (under) expenditures	(6,190)	(6,190)	(231,295)	(225,105)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	6,190	6,190	6,190	-
Proceeds from sale of capital assets	-	-	2,500	2,500
Debt proceeds	-	-	421,892	421,892
Total other financing sources and (uses)	<u>6,190</u>	<u>6,190</u>	<u>430,582</u>	<u>424,392</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	199,287	<u>\$ 199,287</u>
Fund balance - beginning			<u>822,385</u>	
Fund balance - ending			<u>\$ 1,021,672</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, 2020 was amended to increase revenues and appropriations by \$42,000. Actual general fund expenditures for the fiscal year ended September 30, 2020 exceeded appropriations by \$140,605. The over expenditures were funded by available fund balance.





**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, 2020, 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 16, 2021.

**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*.

We noted certain matters involving the internal control over financial reporting and compliance that we have reported to management of the District in a separate letter dated April 16, 2021.



The District's responses to the findings identified in our audit are described in the accompanying Management Letter. We did not audit the District's responses and, accordingly, we express no opinion on them.

**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.

*Bhav & Associates*

April 16, 2021



**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, 2020. 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 Federal Program and 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, 2020.

**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.

*B* *Law & Associates*

April 16, 2021

**SPRING LAKE IMPROVEMENT DISTRICT  
SEBRING, FLORIDA  
SCHEDULE OF EXPENDITURES OF  
STATE FINANCIAL ASSISTANCE  
FISCAL YEAR ENDED SEPTEMBER 30, 2020**

State Agency, <i>State Project</i>	CSFA Number	Contract Number	State Appropriation Category	Expenditures
<b>STATE FINANCIAL ASSISTANCE</b>				
Florida Department of Environmental Protection				
<i>Wastewater Treatment Facility Construction</i>	37.077	WW280511	140131	\$ 171,085
<i>Drinking Water Facility Construction</i>	37.076	DW280530	140129	450,000
<i>Statewide Surface Water Restoration and Wastewater Projects</i>	37.039	LPA0069	LP, GAA LI 1657A, FY 19-20, GR	784,029
Total Expenditures of State Financial				<u>\$ 1,405,114</u>

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, 2020. 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, 2020**

**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	
Drinking Water Facility Construction	37.076
Statewide Surface Water Restoration and Wastewater Projects	37.039
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**

See attached Management Letter

**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



**Grau & Associates**  
CERTIFIED PUBLIC ACCOUNTANTS

951 Yamato Road • Suite 280  
Boca Raton, Florida 33431  
(561) 994-9299 • (800) 299-4728  
Fax (561) 994-5823  
www.graucpa.com

**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, 2020. 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, 2020.

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 16, 2021



**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, 2020, and have issued our report thereon dated April 16, 2021.

**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 16, 2021, 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 16, 2021



## REPORT TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

#### 2020-01 Payroll Internal Controls

Observation: During our procedures, we noted that certain payroll timesheet records could not be located. As a result time paid could not be verified for that period. In addition, we noted an error in the time paid to a terminated employee.

Recommendation: The District should implement procedures, including potential electronic backup of timecard records to ensure that sufficient documentation is retained to provide adequate audit trail and comply with record retention guidelines. In addition, the District should improve controls to ensure that time paid out to terminated employees is accurate.

Management Response: Staff will keep better track of time records and will double check time cards for accuracy.

#### 2020-02 Water and Sewer Billing Internal Controls

Observation: During our procedures, we noted that certain tier rate structure indicated on the approved water and sewer billing rate schedule did not appear to have been correctly applied in calculating certain bills.

Recommendation: The District should discuss with the software vendor and IT personnel how to fix the billing errors to ensure that amounts billed adhere to applicable approved rate schedules.

Management Response: This has been corrected. The software company was contacted and the error in the tier rate calculations were corrected. Staff checked and bills with usage in the higher tier rates are being calculated correctly.

#### 2020-03 Budget

Observation: Actual expenditures exceeded appropriations in the general fund for the fiscal year ended September 30, 2020.

Recommendation: The District should amend the budget during the fiscal year end or within statutory guidelines to ensure expenditures are properly budgeted.

Management Response: In the future the budget will be amended to reflect the debt service expenditures from refinancing debt.

### II. PRIOR YEAR FINDINGS

None

### 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, 2019, except as noted above.

## REPORT TO MANAGEMENT (Continued)

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, 2020, except as noted above.

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, 2020.

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, 2020. 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.