

**ST. LUCIE WEST SERVICES DISTRICT
ST. LUCIE COUNTY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2020**

**ST. LUCIE WEST SERVICES DISTRICT
ST. LUCIE COUNTY, FLORIDA**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
St. Lucie West Services District
St. Lucie County, 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 St. Lucie West Services District, St. Lucie County, Florida (the "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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 28, 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.



May 28, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of St. Lucie West Services District, St. Lucie County, Florida's ("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 themselves.

FINANCIAL HIGHLIGHTS

- The assets plus deferred outflows of resources of the District exceeded its liabilities at the close of the most recent fiscal year resulting in a net position balance of \$60,607,790.
- The change in the District's total net position in comparison with the prior fiscal year was \$2,085,803, 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 funds reported combined ending fund balances of \$4,045,460, a decrease of (\$702,009) in comparison with the prior year. The total fund balance is nonspendable for prepaids, restricted for debt service, assigned for renewal and replacement and subsequent year's expenditures, 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 and liabilities, 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 and stormwater fees (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 (management), and maintenance and operations. The business-type activities of the District include the Utility (water and sewer) operation.

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. The District has two fund categories: governmental 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 outflows 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 balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two governmental funds for external reporting. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and water management debt service funds, all of which are considered to be major funds.

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.

The District also adopts an annual operating budget for the utility fund.

Proprietary Fund

The District maintains one type of proprietary fund, an enterprise fund. An enterprise fund is used to report the same function presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for the operations of the water and sewer utility services within 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 a government's financial position. In the case of the District, assets plus deferred outflows of resources exceeded liabilities at the close of the most recent fiscal year.

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
Current and other assets	\$ 3,704,968	\$ 4,175,905	\$ 5,228,443	\$ 5,644,091	\$ 8,933,411	\$ 9,819,996
Restricted assets	817,051	759,748	10,730,306	10,799,125	11,547,357	11,558,873
Capital assets, net of depreciation	42,271,506	43,063,514	41,812,967	41,363,491	84,084,473	84,427,005
Total assets	46,793,525	47,999,167	57,771,716	57,806,707	104,565,241	105,805,874
Deferred outflows of resources	200,090	240,108	333,413	362,680	533,503	602,788
Current liabilities	600,302	337,857	997,978	1,259,546	1,598,280	1,597,403
Long-term liabilities	11,990,040	13,864,002	30,902,634	32,425,270	42,892,674	46,289,272
Total liabilities	12,590,342	14,201,859	31,900,612	33,684,816	44,490,954	47,886,675
Net position						
Net investment in capital assets	30,521,596	29,473,622	11,281,380	9,331,171	41,802,976	38,804,793
Restricted	589,857	558,329	10,043,023	10,078,551	10,632,880	10,636,880
Unrestricted	3,291,820	4,005,465	4,880,114	5,074,849	8,171,934	9,080,314
Total net position	\$ 34,403,273	\$ 34,037,416	\$ 26,204,517	\$ 24,484,571	\$ 60,607,790	\$ 58,521,987

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 represents funds set aside for bond covenants related to debt service, capital projects and other, renewal and replacement and surplus and rate stabilization.

The results of this year's operations for the District as a whole are reported in the statement of activities. The net position of the District's governmental activities increased \$365,857 and the net position of the business-type activities increased \$1,719,946 in comparison with the prior year.

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 exceeded the cost of operations and depreciation expense.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	CHANGES IN NET POSITION					
	Governmental activities		Business-type activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 5,262,096	\$ 5,265,647	\$ 9,539,511	\$ 9,265,912	\$ 14,801,607	\$ 14,531,559
General revenues:						
Investment earnings	1,161	3,760	8,600	25,204	9,761	28,964
Other	52,064	74,454	175,440	5,264	227,504	79,718
Gain/(loss) on disposal of capital assets	(8,284)	(2,884)	-	(5,067)	(8,284)	(7,951)
Total revenues	5,307,037	5,340,977	9,723,551	9,291,313	15,030,588	14,632,290
Expenses:						
Governmental activities:						
General government	547,028	550,734	-	-	547,028	550,734
Physical environment	3,967,168	3,663,397	-	-	3,967,168	3,663,397
Interest	426,984	488,035	-	-	426,984	488,035
Water and sewer utilities	-	-	6,993,104	6,812,623	6,993,104	6,812,623
Interest	-	-	1,010,501	1,137,547	1,010,501	1,137,547
Total expenses	4,941,180	4,702,166	8,003,605	7,950,170	12,944,785	12,652,336
Change in net position	365,857	638,811	1,719,946	1,341,143	2,085,803	1,979,954
Net position - beginning	34,037,416	33,398,605	24,484,571	23,143,428	58,521,987	56,542,033
Net position - ending	\$ 34,403,273	\$ 34,037,416	\$ 26,204,517	\$ 24,484,571	\$ 60,607,790	\$ 58,521,987

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 \$4,941,180. As in the prior year, the majority of the costs of the Districts governmental activities were paid by program revenues. Program revenues consisted primarily of assessments and stormwater fees for the current and prior year.

Business-type activities

Business-type activities reflect the operations of the water and sewer facilities within the District. The cost of operations is covered primarily by charges to customers. Expenses increased primarily due to an increase in water and sewer operating and contracting costs.

GENERAL FUND 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 decrease revenues by (\$38,004) and decrease appropriations by (\$581,066). Actual general fund expenditures did not exceed appropriations during the current fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2020, the District had \$74,524,353 invested in capital assets for its governmental activities. In the government-wide financial statements depreciation of \$32,252,847 has been taken, which resulted in a net book value of \$42,271,506. The District's business-type activities reported net capital assets of \$41,812,967. 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 \$11,950,000 in Bonds outstanding for its governmental activities. For business-type activities, the District had Bonds outstanding of \$30,865,000. More detailed information about the District's capital debt is presented in the notes of the financial statements.

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND OTHER EVENTS

The District anticipates positive account activity trends and the recent reissuance of Bonds have placed the District in a better financial position. The District staff through efficient budgeting and innovative cost saving measures have enabled the District to keep rates the same for the past eleven fiscal years. The budget for fiscal year 2020 continues with the five year forecasting of the District's financial needs. The District anticipates that the general operations will remain fairly constant. For the utility operations, the number of ERU's is expected to remain the same in the fiscal year 2021. With no rate adjustment budgeted in the next year, the District expects revenues in most categories to remain similar for the next year. For the utility operations, it is anticipated that any future growth would come primarily from commercial development. The District is continuing to work with the engineer to consider future anticipated capacity requirements for available commercial property. In connection with the District's future infrastructure maintenance and replacement plan, the District Board has included in the budget an estimate of those anticipated future costs and has assigned a portion of current and future available resources for that purpose. At this time there is no additional utility debt funding anticipated in the next few years. The District is researching funding for two projects which totaling \$2,500,000 which will be funded through Special Assessments if approved.

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 St. Lucie West Services District's management services at Special District Services, Inc., 2501A Burns Road, Palm Beach Gardens, Florida 33410.

**ST. LUCIE WEST SERVICES DISTRICT
ST. LUCIE COUNTY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,181,262	\$ 6,565,529	\$ 7,746,791
Investments	6,566	-	6,566
Restricted assets:			
Cash and cash equivalents	200,000	181,492	381,492
Investments	617,051	10,548,814	11,165,865
Accounts receivable, net	-	1,150,680	1,150,680
Internal balances	2,510,980	(2,510,980)	-
Prepaid items	6,160	18,479	24,639
Other current assets	-	4,735	4,735
Capital assets:			
Nondepreciable	5,326,494	6,875,491	12,201,985
Depreciable, net	36,945,012	34,937,476	71,882,488
Total assets	<u>46,793,525</u>	<u>57,771,716</u>	<u>104,565,241</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding (debit)	200,090	333,413	533,503
Total deferred outflows of resources	<u>200,090</u>	<u>333,413</u>	<u>533,503</u>
LIABILITIES			
Accounts payable and accrued expenses	380,280	310,695	690,975
Accrued interest payable	123,743	505,791	629,534
Customer deposits	96,279	181,492	277,771
Noncurrent liabilities:			
Due within one year	1,930,000	1,575,000	3,505,000
Due in more than one year	10,060,040	29,327,634	39,387,674
Total liabilities	<u>12,590,342</u>	<u>31,900,612</u>	<u>44,490,954</u>
NET POSITION			
Net investment in capital assets	30,521,596	11,281,380	41,802,976
Restricted for:			
Debt service	589,857	4,421,926	5,011,783
Capital projects and other	-	1,588,212	1,588,212
Renewal and replacement	-	2,109,727	2,109,727
Surplus and rate stabilization	-	1,923,158	1,923,158
Unrestricted	3,291,820	4,880,114	8,171,934
Total net position	<u>\$ 34,403,273</u>	<u>\$ 26,204,517</u>	<u>\$ 60,607,790</u>

See notes to the financial statements

**ST. LUCIE WEST SERVICES DISTRICT
ST. LUCIE COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

Functions/Programs	Net (Expense) Revenue and			
	Program Revenue	Charges for	Governmental	Business-type
Primary government:	Changes in Net Position			
Governmental activities:	Expenses	Services	Activities	Activities
General government	\$ 547,028	\$ 547,028	\$ -	\$ -
Maintenance and operations	3,967,168	2,365,953	(1,601,215)	-
Interest on long-term debt	426,984	2,349,115	1,922,131	-
Total governmental activities	4,941,180	5,262,096	320,916	-
				320,916
Business-type activities:				
Water and sewer utilities	6,993,104	8,499,743	-	1,506,639
Interest on long-term debt	1,010,501	1,039,768	-	29,267
Total business-type activities	8,003,605	9,539,511	-	1,535,906
				1,535,906
Total	12,944,785	14,801,607	320,916	1,535,906
				1,856,822
General revenues:				
Investment earnings			1,161	8,600
Miscellaneous			52,064	175,440
Gain/loss on disposal of capital assets			(8,284)	-
Total general revenues			44,941	184,040
			365,857	1,719,946
Change in net position			34,037,416	24,484,571
Net position - beginning			\$ 34,403,273	\$ 26,204,517
Net position - ending			\$ 68,440,689	\$ 50,689,034

See notes to the financial statements

**ST. LUCIE WEST SERVICES DISTRICT
ST. LUCIE COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020**

	Major Funds		Total Governmental Funds
	General	Water Management Debt Service	
ASSETS			
Cash and cash equivalents	\$ 1,181,262	\$ 200,000	\$ 1,381,262
Investments	6,566	617,051	623,617
Due from other funds	2,614,431	-	2,614,431
Prepaid items	6,160	-	6,160
Total assets	\$ 3,808,419	\$ 817,051	\$ 4,625,470
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	\$ 380,280	\$ -	\$ 380,280
Due to other funds	-	103,451	103,451
Deposits	96,279	-	96,279
Total liabilities	476,559	103,451	580,010
Fund balances:			
Nonspendable:			
Prepaid items	6,160	-	6,160
Restricted for:			
Debt service	-	713,600	713,600
Assigned:			
Renewal and replacement	353,755	-	353,755
Subsequent years expenditures	486,793	-	486,793
Unassigned	2,485,152	-	2,485,152
Total fund balances	3,331,860	713,600	4,045,460
Total liabilities and fund balances	\$ 3,808,419	\$ 817,051	\$ 4,625,470

See notes to the financial statements

**ST. LUCIE WEST SERVICES DISTRICT
ST. LUCIE COUNTY, FLORIDA
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

Fund balance - governmental funds \$ 4,045,460

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	74,524,353	
Accumulated depreciation	<u>(32,252,847)</u>	42,271,506

Deferred charges on refunding of long-term debt are shown as deferred outflows/inflows of resources in the government-wide financial statements; however, this amount is expensed in the governmental fund financial statements.

200,090

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.

Accrued interest payable	(123,743)	
Bonds payable	(11,950,000)	
Compensated absences	<u>(40,040)</u>	<u>(12,113,783)</u>

Net position of governmental activities		<u>\$ 34,403,273</u>
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See notes to the financial statements

**ST. LUCIE WEST SERVICES DISTRICT
ST. LUCIE COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

	Major Funds		Total Governmental Funds
	General	Water Management Debt Service	
REVENUES			
Special assessments	\$ 1,068,101	\$ 1,959,010	\$ 3,027,111
Stormwater fees	1,844,880	390,105	2,234,985
Investment earnings	77	1,084	1,161
Miscellaneous	52,064	-	52,064
Total revenues	<u>2,965,122</u>	<u>2,350,199</u>	<u>5,315,321</u>
EXPENDITURES			
Current:			
General government	352,888	51,705	404,593
Maintenance and operations	2,485,550	-	2,485,550
Debt service:			
Interest expense	-	412,896	412,896
Principal expense	-	1,880,000	1,880,000
Capital outlay	834,291	-	834,291
Total expenditures	<u>3,672,729</u>	<u>2,344,601</u>	<u>6,017,330</u>
Excess (deficiency) of revenues over (under) expenditures	(707,607)	5,598	(702,009)
Fund balances - beginning	<u>4,039,467</u>	<u>708,002</u>	<u>4,747,469</u>
Fund balances - ending	<u>\$ 3,331,860</u>	<u>\$ 713,600</u>	<u>\$ 4,045,460</u>

See notes to the financial statements

**ST. LUCIE WEST SERVICES DISTRICT
ST. LUCIE COUNTY, FLORIDA
RECONCILIATION OF 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	\$ (702,009)
Amounts reported for governmental activities in the statement of activities are different because:	
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.	834,291
Depreciation of capital assets is not recognized in the governmental fund statements but is reported as an expense in the statement of activities.	(1,618,015)
Amortization of deferred outflows/inflows of resources is not recognized in the governmental fund financial statements, but is reported as an expense in the statement of activities.	(40,018)
The loss on the disposal of capital assets is recorded on the government wide financial statements but not on the fund financial statements.	(8,284)
Repayment of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities.	1,880,000
Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore, are not reported as expenditures in governmental funds.	
Change in compensated absences	(6,038)
Change in accrued interest	25,930
Change in net position of governmental activities	\$ 365,857

See notes to the financial statements

**ST. LUCIE WEST SERVICES DISTRICT
ST. LUCIE COUNTY, FLORIDA
STATEMENT OF NET POSITION - PROPRIETARY FUND
SEPTEMBER 30, 2020**

	Water and Sewer Utility
ASSETS	
Current assets:	
Unrestricted:	
Cash and cash equivalents	\$ 6,565,529
Accounts receivable, net of allowance for uncollectibles	1,150,680
Prepaid expenses	18,479
Other	4,735
Restricted:	
Cash and cash equivalents	181,492
Investments	10,548,814
Total current assets	18,469,729
Noncurrent assets:	
Capital assets:	
Land	1,200,000
Building	324,911
Construction in progress	5,675,491
Infrastructure	60,804,527
Equipment and furniture	2,699,594
Less accumulated depreciation	(28,891,556)
Total capital assets, net of accumulated depreciation	41,812,967
Total noncurrent assets	41,812,967
Total assets	60,282,696
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	333,413
Total deferred outflows of resources	333,413
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	310,695
Due to other funds	2,510,980
Liabilities payable from restricted assets:	
Customer deposits	181,492
Current portion of long-term debt	1,575,000
Interest payable	505,791
Total current liabilities	5,083,958
Noncurrent liabilities:	
Long-term debt	29,327,634
Total noncurrent liabilities	29,327,634
Total liabilities	34,411,592
NET POSITION	
Net investment in capital assets	11,281,380
Restricted for:	
Debt service	4,421,926
Capital projects and other	1,588,212
Renewal and replacement	2,109,727
Surplus and rate stabilization	1,923,158
Unrestricted	4,880,114
Total net position	26,204,517
Total net position and liabilities	\$ 60,616,109

See notes to the financial statements

**ST. LUCIE WEST SERVICES DISTRICT
ST. LUCIE COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

	Water and Sewer Utility
OPERATING REVENUES	
Charges for sales and services:	
Charges for water and sewer services	\$ 8,832,959
Late fees	30,147
Bulk water sales	624,782
Other	51,623
Total operating revenues	9,539,511
OPERATING EXPENSES	
Personnel services	2,377,183
Contractual services	712,134
Water and sewer operations	1,734,835
Repairs and maintenance	344,864
Depreciation	1,794,821
Amortization	29,267
Total operating expense	6,993,104
Operating income (loss)	2,546,407
NON OPERATING REVENUES (EXPENSES)	
Impact fees	175,440
Interest revenue	8,600
Interest expense	(1,010,501)
Total non operating revenue (expenses)	(826,461)
Change in net position	1,719,946
Total net position - beginning	24,484,571
Total net position - ending	\$ 26,204,517

See notes to the financial statements

**ST. LUCIE WEST SERVICES DISTRICT
ST. LUCIE COUNTY, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020
(Continued)**

	<u>Water and Sewer Utility</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers and users	\$ 9,513,394
Payments to suppliers of goods and services	<u>(5,380,330)</u>
Net cash provided (used) by operating activities	<u>4,133,064</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Due to/from other funds	<u>660,450</u>
Net cash provided (used) by noncapital financing activities	<u>660,450</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Impact fees	175,440
Purchases of capital assets	(2,244,298)
Principal paid on debt	(1,530,000)
Interest paid on debt	<u>(1,035,542)</u>
Net cash provided (used) by capital and related financing activities	<u>(4,634,400)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	60,569
Interest earnings	<u>8,600</u>
Net cash provided (used) by investing activities	<u>69,169</u>
Net increase (decrease) in cash and cash equivalents	228,283
Cash and cash equivalents - October 1	<u>6,518,740</u>
Cash and cash equivalents - September 30	<u><u>\$ 6,747,023</u></u>

See notes to the financial statements

**ST. LUCIE WEST SERVICES DISTRICT
ST. LUCIE COUNTY, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020
(Continued)**

	Water and Sewer Utility
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ 2,546,407
Adjustments to reconcile operating income (loss) to net cash provided (used) by Operating Activities:	
Depreciation and amortization	1,824,091
(Increase)/Decrease in:	
Accounts receivables	(17,867)
Prepays and deposits	9,596
Increase/(Decrease) in:	
Accounts payable and accrued expenses	(228,277)
Customer deposits	(8,250)
Compensated absences	7,364
Total adjustments	1,586,657
Net cash provided (used) by operating activities	\$ 4,133,064

See notes to the financial statements

**ST. LUCIE WEST SERVICES DISTRICT
ST. LUCIE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

St. Lucie West Services District (the "District") was created on November 21, 1989, pursuant to Chapter 190.005, Florida Statutes by which Florida Land and Water Adjudicatory Commission granted the petition of the original development corporation and adopted Rules 42-1.001, 1.002, and 1.003, establishing the St. Lucie West Services District. The District was established for the purpose of, among other things, construction of and/or acquiring water management and control, water supply, sewer, wastewater management, bridges or culverts, District roads, parks and recreational facilities, security facilities, control and elimination of mosquitoes and other arthropods and landscaping related to recreational amenities, roads, and surface water management, and related improvements located within and/or without the boundaries of St. Lucie West Services District.

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Supervisors are elected by the landowners and qualified electors residing within the District, and are elected on a rotating basis for terms of four years. The District was created under Chapter 190 of the Florida Statutes and operates within the criteria established by Chapter 190. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Florida Statutes.

The Board has the final 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 employment of the general manger.
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 District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by assessments and general revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-Wide and Fund Financial Statements (Continued)

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 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. Unbilled service revenue is accrued in the enterprise funds.

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 certain land and all platted lots within the District. Assessments are levied each November 1 on property of record as of the previous January. 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. For debt service assessments, amounts collected as advance payments are used to prepay a portion of the Bonds outstanding. Otherwise, assessments are collected annually to provide funds for the debt service on the portion of the Bonds which are not paid with prepaid assessments.

Assessments, stormwater fees, licenses and permits, grant revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized in revenues for 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.

Water Management Debt Service Fund

The debt service fund is used to account for the accumulation of resources for the annual payment of principal and interest on long-term debt.

The District reports the following major proprietary fund:

Water and Sewer Fund

The water and sewer fund accounts for the water and sewer operations of the District that are financed and supported primarily by 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. Exceptions to this general rule are internal receivable and payable balances between governmental and business-type activities.

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

Restricted assets in the enterprise funds consists primarily of amounts restricted for debt service, capital projects, surplus and rate stabilization, renewal and replacement which have been restricted by the bond covenants or other contractual restrictions. Restricted assets in the governmental funds consist of funds set aside to comply with bond 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.

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due.

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.

Inventories and Prepaid Items

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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.

Interfund Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of fiscal year are referred to as either "interfund receivables/payables" or "advances to/from other funds". All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities for internal borrowing are reported in the government-wide statements as "internal balances".

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Receivables

Accounts receivable and assessments receivable are shown net of an allowance for uncollectible amounts. These receivables will be recognized as revenue as they are collected. The Water and Sewer Utility Fund receivables are due from commercial and residential customers within the District. The District's policy for collections is limited to collecting security deposits, the right to discontinue service and to place liens on property. For the Water and Sewer Fund, accounts receivable outstanding in excess of 120 days comprise the allowance.

Capital Assets

Capital assets, which include property, water and sewer improvements, machinery and equipment and infrastructure (roads, sidewalks, etc.) are reported in the applicable governmental or business-type activities. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 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 at the date of donation.

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>
Infrastructure and buildings	10 – 50
Equipment	5 – 30

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.

Refundings of Debt

For current refundings and advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources/deferred inflow of resources and recognized ratably as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. In connection with the refunding, \$40,018 and \$28,807 was recognized as a component of interest expense in the current fiscal year for the governmental and business-type activities, respectively.

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. All sick and 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. Payments are generally paid out of the general fund.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

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. Bond premiums and discounts are deferred and amortized over the life of the Bonds using the straight-line method. Bonds payable are reported net of applicable premiums or discounts. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize Bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Fund Equity/Net Position (Continued)

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 General 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.

The District also prepares annual operating budgets for the water and sewer utility fund.

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.

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Investments

The District's investments were held as follows at September 30, 2020:

Investment	Amortized cost	Credit Risk	Maturities
US Bank Commercial Paper Manual	\$ 617,051	A-1	N/A
US Bank Mmkt 5 - Ct	10,548,814	Not Available	Not Available
Florida Prime	6,566	S&P AAAm	Weighted average of the fund portfolio: 48 days
Total Investments	\$ 11,172,431		

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

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

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

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

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

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

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

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

Money market investments that have a maturity at the time of purchase of one year or less and are held by governments other than external investment pools should be measured at amortized cost. Accordingly, the District's investments have been reported at amortized cost above.

NOTE 5 – RESTRICTED CASH

Restricted cash in the water and sewer fund at September 30, 2020 were held as follows:

Restricted investments:	
Debt service reserve	\$ 2,524,602
Debt service	2,403,115
Renew al and replacement	2,109,727
Rate stabalization	585,405
Water and sewer connection	1,588,212
Surplus	1,337,753
	\$ 10,548,814

NOTE 6 – INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at September 30, 2020 were as follows:

Governmental Funds	Receivable	Payable
General	\$ 2,614,431	\$ -
Debt service	-	103,451
Water and sewer	-	2,510,980
Total	<u>\$ 2,614,431</u>	<u>\$ 2,614,431</u>

The outstanding balances between funds result primarily from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

NOTE 7 – RECEIVABLES

Accounts receivable in the water and sewer fund are reported net of uncollectible amounts. Total accounts receivable and uncollectible amounts at September 30, 2020 are as follows:

	Water and Sewer Utility Fund
Gross billed accounts receivable	\$ 503,334
Gross unbilled accounts receivable	702,346
Uncollectibles	(55,000)
Net receivable	<u>\$ 1,150,680</u>

NOTE 8 – CAPITAL ASSETS

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

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 4,594,569	\$ -	\$ -	\$ 4,594,569
Construction in progress	50,721	710,204	(29,000)	731,925
Total capital assets, not being depreciated	<u>4,645,290</u>	<u>710,204</u>	<u>(29,000)</u>	<u>5,326,494</u>
Capital assets, being depreciated				
Buildings	344,275	29,000	-	373,275
Infrastructure	66,866,128	-	-	66,866,128
Equipment and furniture	1,851,790	124,087	(17,421)	1,958,456
Total capital assets, being depreciated	<u>69,062,193</u>	<u>153,087</u>	<u>(17,421)</u>	<u>69,197,859</u>
Less accumulated depreciation for:				
Buildings	79,879	12,201	-	92,080
Infrastructure	29,468,103	1,481,618	-	30,949,721
Equipment and furniture	1,095,987	124,196	(9,137)	1,211,046
Total accumulated depreciation	<u>30,643,969</u>	<u>1,618,015</u>	<u>(9,137)</u>	<u>32,252,847</u>
Total capital assets, being depreciated, net	<u>38,418,224</u>	<u>(1,464,928)</u>	<u>(8,284)</u>	<u>36,945,012</u>
Governmental activities capital assets, net	<u>\$ 43,063,514</u>	<u>\$ (754,724)</u>	<u>\$ (37,284)</u>	<u>\$ 42,271,506</u>

NOTE 8 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to function/programs as follows:

General government	\$ 136,397
Maintenance and operations	1,481,618
	<u>\$ 1,618,015</u>

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

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Business-type Activities</u>				
Capital assets, not being depreciated				
Land	\$ 1,200,000	\$ -	\$ -	\$ 1,200,000
Construction in progress	5,910,703	2,101,343	(2,336,555)	5,675,491
Total capital assets, not being depreciated	<u>7,110,703</u>	<u>2,101,343</u>	<u>(2,336,555)</u>	<u>6,875,491</u>
Capital assets, being depreciated				
Buildings	298,026	26,885	-	324,911
Infrastructure/Improvements	58,467,972	2,336,555	-	60,804,527
Equipment and furniture	2,583,524	116,070	-	2,699,594
Total capital assets, being depreciated	<u>61,349,522</u>	<u>2,479,510</u>	<u>-</u>	<u>63,829,032</u>
Less accumulated depreciation for:				
Buildings	78,400	9,833	-	88,233
Infrastructure/Improvements	25,334,008	1,635,084	-	26,969,092
Equipment and furniture	1,684,327	149,904	-	1,834,231
Total accumulated depreciation	<u>27,096,735</u>	<u>1,794,821</u>	<u>-</u>	<u>28,891,556</u>
Total capital assets, being depreciated, net	<u>34,252,787</u>	<u>684,689</u>	<u>-</u>	<u>34,937,476</u>
Business-type activities capital assets, net	<u>\$ 41,363,490</u>	<u>\$ 2,786,032</u>	<u>\$ (2,336,555)</u>	<u>\$ 41,812,967</u>

NOTE 9 – LONG-TERM LIABILITIES

Utility Revenue Refunding, Series 2011

On October 25, 2011, the District issued \$24,000,000 of Utility Revenue Refunding Bonds, Series 2011 due on October 1, 2031 with a fixed interest rate of 2.85%. Interest is to be paid semiannually on each April 1 and October 1. Principal on the Bonds is to be paid serially commencing October 1, 2012 through October 1, 2031. The source of repayment or security for the Series 2011 Bonds is a pledge of certain utility revenues collected by the District.

The Series 2011 Bonds are subject to redemption as defined in the Bond Indenture. The Bond Indenture also established a debt service reserve requirement as well as other restrictions. The District was in compliance with the requirements at September 30, 2020. See bond rate adjustment below.

NOTE 9 – LONG-TERM LIABILITIES (Continued)

Special Assessment Refunding, Series 2013

On April 24, 2013, the District issued \$19,025,000 of Water Management Benefit Special Assessment Refunding Bonds, Series 2013 due on May 1, 2025 with a fixed interest rate of 2.44%. Interest is to be paid semiannually on each May 1 and November 1. Principal on the Bonds is to be paid serially commencing May 1, 2014 through May 1, 2025.

The Series 2013 Bonds are subject to redemption at the option of the District prior to their maturity. The Bonds are subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture.

The Bond Indenture established a debt service reserve requirement as well as other restrictions. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District was in compliance with the requirements at September 30, 2020.

Utility Revenue Refunding, Series 2013

On April 24, 2013, the District issued \$5,470,000 of Utility Revenue Refunding Bonds, Series 2013, due on October 1, 2032 with a fixed interest rate of 2.43%. Interest is to be paid semiannually on each April 1 and October 1. Principal on the Bonds is to be paid serially commencing October 1, 2013 through October 1, 2032. The source of repayment or security for the Series 2013 Bonds is a pledge of certain utility revenues collected by the District.

The Series 2013 Bonds are subject to redemption as defined in the Bond Indenture. The Bond Indenture also established a debt service reserve requirement as well as other restrictions. The District was in compliance with the requirements at September 30, 2020. See bond rate adjustment below.

Utility Revenue Refunding, Series 2014

In August 2014, the District issued \$12,025,000 of Utility Revenue Refunding Bonds, Series 2014, due on October 1, 2035 with a fixed interest rate of 3.6%. Interest is to be paid semiannually on each April 1 and October 1. Principal on the Bonds is to be paid serially commencing October 1, 2014 through October 1, 2035. The source of repayment or security for the Series 2014 Bonds is a pledge of certain utility revenues collected by the District.

The Series 2014 Bonds are subject to redemption as defined in the Bond Indenture. The Bond Indenture also established a debt service reserve requirement as well as other restrictions. The District was in compliance with the requirements at September 30, 2020. See bond rate adjustment below.

Stormwater Utility Revenue Bonds, Series 2014

On December 22, 2014, the District issued \$4,810,000 of Stormwater Utility Revenue Bonds, Series 2014 due on February 1, 2030 with a fixed interest rate of 3.05%. The Bonds were issued to for the purpose of acquiring land from Martin Memorial. The land was purchased with the intent to put a retainage pond on the land for excess storm water storage. Interest is to be paid semiannually on each February 1 and August 1. Principal on the Bonds is to be paid serially commencing February 1, 2015 through February 1, 2030.

The Series 2014 Bonds are subject to redemption at the option of the District prior to their maturity. The Bond Indenture established a debt service reserve requirement as well as other restrictions. The District and the City of Port St. Lucie have entered into an agreement whereby the City will transfer approximately \$400,000 of Stormwater utility fees to the District to cover the debt service on the Bonds. The District was in compliance with the requirements at September 30, 2020.

NOTE 9 – LONG-TERM LIABILITIES (Continued)

Bond Rate Adjustment

During fiscal year 2018 the federal government reduced the corporate tax rate from 35% to 21%. This triggered a clause in the Series 2011 Utility Bond, the Series 2013 WMB Bond, and the Series 2014 Utility Bond whereas the interest rate became adjusted upwards. This resulted in the following rate increases: the Utility Bond Series 2011 went from 2.85% to 3.46%, the WMB Bond Series 2013 went from 2.44% to 2.97%, and the Utility Bond Series 2014 went from 3.61% to 4.17%. All of these Bonds are held as private placements with SunTrust (STING). Due to the Utility Series 2014 rate change being higher than current market rates, the District negotiated a rate modification that resulted in a reissuance of the Utility Bond Series 2014, now the Utility Bond Series 2014 R-1. The reissuance, dated October 12, 2018, lowered the rate from 4.17% to 3.30%. The other Bonds remained at their adjusted rates.

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
<u>Governmental activities</u>					
Bonds payable:					
Series 2013	\$ 10,210,000	\$ -	\$ (1,600,000)	\$ 8,610,000	\$ 1,640,000
Series 2014	3,620,000	-	(280,000)	3,340,000	290,000
Total bonds payable	13,830,000	-	(1,880,000)	11,950,000	1,930,000
Compensated absences	34,002	6,038	-	40,040	-
Total	\$ 13,864,002	\$ 6,038	\$ (1,880,000)	\$ 11,990,040	\$ 1,930,000

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Business-type activities</u>					
Bonds payable:					
Series 2011	\$ 17,065,000	\$ -	\$ (1,105,000)	\$ 15,960,000	\$ 1,135,000
Series 2013	4,185,000	-	(255,000)	3,930,000	260,000
Series 2014	11,145,000	-	(170,000)	10,975,000	180,000
Total bonds payable	32,395,000	-	(1,530,000)	30,865,000	1,575,000
Compensated absences	30,270	7,364	-	37,634	-
Total	\$ 32,425,270	\$ 7,364	\$ (1,530,000)	\$ 30,902,634	\$ 1,575,000

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	\$ 1,930,000	\$ 356,470	\$ 2,286,470
2022	1,980,000	298,714	2,278,714
2023	2,030,000	239,540	2,269,540
2024	2,080,000	179,140	2,259,140
2025	2,130,000	116,787	2,246,787
2026-2030	1,800,000	154,139	1,954,139
Total	\$ 11,950,000	\$ 1,344,790	\$ 13,294,790

NOTE 9 – LONG-TERM LIABILITIES (Continued)

Long-term debt activity (Continued)

Year ending September 30:	Business-type Activities		
	Principal	Interest	Total
2021	\$ 1,575,000	\$ 984,715	\$ 2,559,715
2022	1,620,000	932,397	2,552,397
2023	1,665,000	878,606	2,543,606
2024	1,715,000	823,256	2,538,256
2025	1,765,000	766,242	2,531,242
2026-2030	9,610,000	2,917,199	12,527,199
2031-2035	11,115,000	1,228,628	12,343,628
2036-2039	1,800,000	29,700	1,829,700
Total	<u>\$ 30,865,000</u>	<u>\$ 8,560,743</u>	<u>\$ 39,425,743</u>

NOTE 10 – INTERLOCAL AGREEMENTS

The District entered an interconnect agreement with the Reserve Community Development District (“the Reserve”) for the bulk sale of water from the District to the Reserve in 1993. In the agreement, the Reserve shall pay a connection charge of \$1,000 per water ERC, which equals 250 gallons per day, for each unit served through the interconnect. The District later amended the agreement, on November 12, 2003, to provide an additional 500,000 gallons per day, representing 2,000 ERC’s of potable water and 400,000 gallons per day, representing 2,000 ERC’s of sanitary sewer services to be phased in over a period not beyond October 1, 2015. During a prior fiscal year, on May 1, 2013, the District signed an amendment to the prior agreement, which revised the water and sewer service capacity to be purchased by the Reserve and also revised the monthly “take or pay” gallonage charges to be paid to the Utility for the potable water and sanitary sewer services received by the Reserve. Pursuant to the amended agreement, the Reserve purchased an additional 700 sewer ERC’s in May 2013, and shall now pay a connection charge of \$900 per sewer ERC. During the current fiscal year the District collected \$175,440 of connection fees which are shown as impact fees on the financial statements. The District also collected \$624,782 in wholesale water and sewer fees from the Reserve during the current fiscal year.

The District entered an interlocal agreement with the City of Port St. Lucie (the City) for maintenance of the stormwater management system in 1996. The City levies stormwater fees and then charges the District a 25% fee for administrative charges and maintaining main lines for storm runoff and remits the remaining 75% of stormwater fees collected from the District’s residents to the District for maintenance of the stormwater facilities owned by the District. For the year ended September 30, 2020, the City remitted approximately \$1,844,880 in fees to the District.

In 2014 the District entered in another interlocal agreement with the City of Port St. Lucie (the City) for the payment of the debt service on the Series 2014 Bonds used to purchase land for the purpose of stormwater drainage. The City will pay the District approximately \$400,000 annually to cover the entire debt service payment for the life of the bond.

NOTE 11 – EMPLOYEE PENSION PLAN

The District has established a Simplified Employee Pension Plan (SEP), which is classified as a defined contribution plan. The District contributed 9% of eligible employees' salaries during the fiscal year ended September 30, 2020. In order to be eligible, an employee must be at least 21 years of age and employed for at least one year.

The District also has a 457 deferred compensation plan for which employees are eligible for upon hiring. This plan allows the employee to make tax deferred contribution direct to an investment account. Contributions are limited based on statutory limitations. There are no District contributions to this plan.

Pension expense was approximately \$99,500 in the general fund and \$138,000 in the water and sewer fund for the fiscal year ended September 30, 2020. The District, at its sole discretion, has the authority to terminate these pension plans; however, the District does not have the intention to do so.

NOTE 12 – MANAGEMENT COMPANY

The District has contracted with a management company to perform management advisory services, which include financial and accounting services. Certain employees of the management company also serve as officers of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, computer and other administrative costs.

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. There were no settled claims during the past three years.

**ST. LUCIE WEST SERVICES DISTRICT
ST. LUCIE COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Assessments	\$ 1,072,389	\$ 1,068,101	\$ 1,068,101	\$ -
Stormwater fees	2,228,032	2,182,854	1,844,880	(337,974)
Interest income	-	-	77	77
Miscellaneous and interest revenue	40,669	52,131	52,064	(67)
Total revenues	3,341,090	3,303,086	2,965,122	(337,964)
EXPENDITURES				
Current:				
General government	297,744	266,120	352,888	(86,768)
Maintenance and operations	4,133,731	3,584,303	2,485,550	1,098,753
Capital outlay	248,479	248,465	834,291	(585,826)
Total expenditures	4,679,954	4,098,888	3,672,729	426,159
Excess (deficiency) of revenues over (under) expenditures	\$ (1,338,864)	\$ (795,802)	(707,607)	\$ 88,195
Fund balance - beginning			4,039,467	
Fund balance - ending			\$ 3,331,860	

See notes to required supplementary information

**ST. LUCIE WEST SERVICES DISTRICT
ST. LUCIE COUNTY, 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).

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 decrease revenues by (\$38,004) and decrease appropriations by (\$581,066). Actual general fund expenditures did not exceed appropriations during the current fiscal year.



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
St. Lucie West Services District
St. Lucie County, 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 St. Lucie West Services District, St. Lucie County, 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 May 28, 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*.

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.

B. & Associates

May 28, 2021



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

To the Board of Supervisors
St. Lucie West Services District
St. Lucie County, Florida

We have examined St. Lucie West Services District, St. Lucie County, Florida ("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 District's compliance with those requirements. Our responsibility is to express an opinion on 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 and, accordingly, included examining, on a test basis, evidence about District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on 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 St. Lucie West Services District, St. Lucie County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Grau & Associates

May 28, 2021



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

To the Board of Supervisors
St. Lucie West Services District
St. Lucie County, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of St. Lucie West Services District, St. Lucie County, Florida (the "District") as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated May 28, 2021.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated May 28, 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 for 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 St. Lucie West Services District, St. Lucie County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank St. Lucie West Services District, St. Lucie County, 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

May 28, 2021

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS AND CURRENT YEAR STATUS

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.

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.

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 authority 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 pursuant to Rule 10.556(7) 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 provided by same.