

**SPRING LAKE IMPROVEMENT DISTRICT
SEBRING, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2021**

**SPRING LAKE IMPROVEMENT DISTRICT
SEBRING, FLORIDA**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Spring Lake Improvement District, Sebring, Florida ("District") as of and for the fiscal year ended September 30, 2021, 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, 2021, 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 information for compliance with FL Statute 218.39 (3) (c) is not a required part of the basic financial statements. The information for compliance with FL Statute 218.39 (3) (c) has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2022, 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.



March 28, 2022

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, 2021. 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 \$9,768,509.
- The change in the District's total net position in comparison with the prior fiscal year was \$1,146,772, 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, 2021, the District's governmental fund reported ending fund balance of \$1,542,857, an increase of \$521,185 in comparison with the prior fiscal year. A portion of the fund balance is restricted for debt service and the remainder is unassigned fund balance which is available for spending at the District's discretion.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

The statement of net position presents information on all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual amount being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the District that are principally supported by assessments (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general government, drainage, street lighting, 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	
	2021	2020	2021	2020	2021	2020
Assets, excluding capital assets	\$ 1,562,833	\$ 1,048,685	\$ 1,923,066	\$ 1,605,804	\$ 3,485,899	\$ 2,654,489
Capital assets, net of depreciation	6,006,213	6,358,085	6,574,020	5,947,963	12,580,233	12,306,048
Total assets	7,569,046	7,406,770	8,497,086	7,553,767	16,066,132	14,960,537
Liabilities, excluding long-term liabilities	19,976	27,013	313,445	292,117	333,421	319,130
Long-term liabilities	2,095,724	2,182,851	3,868,478	3,836,819	5,964,202	6,019,670
Total liabilities	2,115,700	2,209,864	4,181,923	4,128,936	6,297,623	6,338,800
Net position						
Net investment in capital assets	3,941,173	4,207,913	2,692,701	2,083,561	6,633,874	6,291,474
Restricted for:						
Debt service	67,523	67,438	370,497	59,036	438,020	126,474
Unrestricted	1,444,650	921,555	1,251,965	1,282,234	2,696,615	2,203,789
Total net position	\$ 5,453,346	\$ 5,196,906	\$ 4,315,163	\$ 3,424,831	\$ 9,768,509	\$ 8,621,737

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	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues						
Charges for services	\$ 1,252,197	\$ 1,103,009	\$ 1,448,700	\$ 1,154,650	\$ 2,700,897	\$ 2,257,659
Capital grants and contributions	-	42,563	674,492	720,803	674,492	763,366
General revenues						
Investment earnings	2,111	10,781	3,207	14,682	5,318	25,463
Miscellaneous	72,534	2,360	-	-	72,534	2,360
Gain on sale of capital assets	115,983	654	34,500	-	150,483	654
Total revenues	1,442,825	1,159,367	2,160,899	1,890,135	3,603,724	3,049,502
Expenses:						
General government	211,500	216,587	-	-	211,500	216,587
Physical environment	682,830	668,247	-	-	682,830	668,247
Transportation	102,306	92,322	-	-	102,306	92,322
Parks and recreation	176,434	190,555	-	-	176,434	190,555
Interest on long-term debt	19,505	20,928	-	-	19,505	20,928
Water utility	-	-	693,333	691,273	693,333	691,273
Lot mowing	-	-	214,608	196,761	214,608	196,761
Wastewater	-	-	356,436	347,311	356,436	347,311
Total expenses	1,192,575	1,188,639	1,264,377	1,235,345	2,456,952	2,423,984
Transfers	6,190	6,190	(6,190)	(6,190)	-	-
Change in net position	256,440	(23,082)	890,332	648,600	1,146,772	625,518
Net position - beginning	5,196,906	5,219,988	3,424,831	2,776,231	8,621,737	7,996,219
Net position - ending	\$ 5,453,346	\$ 5,196,906	\$ 4,315,163	\$ 3,424,831	\$ 9,768,509	\$ 8,621,737

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, 2021 was \$1,192,575. The costs of the District's activities were primarily funded by program revenues. Program revenues, comprised primarily of assessments, increased during the fiscal year primarily due to increased assessment, partially offset by 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 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, 2021 was amended to increase appropriations and use of fund balance by \$91,329. Actual general fund expenditures for the fiscal year ended September 30, 2021 did not exceed appropriations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2021, the District had \$10,121,564 invested in capital assets for its governmental activities. In the government-wide financial statements depreciation of \$4,115,351 has been taken, which resulted in a net book value of \$6,006,213. The District's business-type activities reported net capital assets of \$6,574,020. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Capital Debt

At September 30, 2021, the District had \$2,063,612 in loans outstanding for its governmental activities. For business-type activities, the District had loans outstanding of \$3,828,932. 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 Rt. 98 Legislative Appropriation project is now complete, and sewer lines are in place for commercial and residential development. FDEP has approved the water projects SRF loan, and with Pinedale Estate water line completed, the District will focus on rehabilitation of the two water plants. We received the first of five yearly payments for the extension of the water lines to the entrance of Village X. It is possible the District will seek funding from SRF for a preliminary engineering report on a second sewer plant by the end of the fiscal year, or early in fiscal year 2023.

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, 2021**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 573,679	\$ 564,178	\$ 1,137,857
Investments	810,652	383,616	1,194,268
Accounts receivable (net)	16,699	340,226	356,925
Assessments receivable	6,506	-	6,506
Due from other governments	-	167,629	167,629
Internal balances	87,774	(87,774)	-
Restricted assets:			
Cash and cash equivalents	-	60,453	60,453
Investments	67,523	494,738	562,261
Prepays	-	-	-
Capital assets:			
Nondepreciable	799,068	976,313	1,775,381
Depreciable, net	5,207,145	5,597,707	10,804,852
Total assets	<u>7,569,046</u>	<u>8,497,086</u>	<u>16,066,132</u>
LIABILITIES			
Accounts payable	14,269	37,308	51,577
Accrued wages	5,707	6,863	12,570
Retainage payable	-	11,131	11,131
Payable from restricted assets:			
Customer deposits	-	60,453	60,453
Unearned revenue	-	117,690	117,690
Line of credit payable		80,000	80,000
Non-current liabilities:			
Due within one year	118,208	187,629	305,837
Due in more than one year	1,977,516	3,680,849	5,658,365
Total liabilities	<u>2,115,700</u>	<u>4,181,923</u>	<u>6,297,623</u>
NET POSITION			
Net investment in capital assets	3,941,173	2,692,701	6,633,874
Restricted for:			
Debt service	67,523	370,497	438,020
Unrestricted	1,444,650	1,251,965	2,696,615
Total net position	<u>\$ 5,453,346</u>	<u>\$ 4,315,163</u>	<u>\$ 9,768,509</u>

See notes to the financial statements

**SPRING LAKE IMPROVEMENT DISTRICT
SEBRING, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net	
	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Position	
	Expenses					Total
Primary government:						
Governmental activities:						
General government	\$ 211,500	\$ 436,344	\$ 224,844	\$ -	\$ 224,844	224,844
Physical environment	682,830	454,229	(228,601)	-	(228,601)	(228,601)
Transportation	102,306	118,478	16,172	-	16,172	16,172
Parks and recreation	176,434	243,146	66,712	-	66,712	66,712
Interest on long-term debt	19,505	-	(19,505)	-	(19,505)	(19,505)
Total governmental activities	1,192,575	1,252,197	59,622	-	59,622	59,622
Business-type activities:						
Water utility	693,333	846,388	-	454,254	454,254	454,254
Lot mowing	214,608	239,774	-	25,166	25,166	25,166
Wastewater	356,436	362,538	-	379,395	379,395	379,395
Total business-type activities	1,264,377	1,448,700	-	858,815	858,815	858,815
General revenues:						
Unrestricted investment earnings			2,111	3,207	5,318	5,318
Miscellaneous income			72,534	-	72,534	72,534
Gain on sale of capital assets			115,983	34,500	150,483	150,483
Total general revenues			190,628	37,707	228,335	228,335
Transfers			6,190	(6,190)	-	-
Change in net position			256,440	890,332	1,146,772	1,146,772
Net position - beginning			5,196,906	3,424,831	8,621,737	8,621,737
Net position - ending			\$ 5,453,346	\$ 4,315,163	\$ 9,768,509	\$ 9,768,509

See notes to the financial statements

**SPRING LAKE IMPROVEMENT DISTRICT
SEBRING, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021**

		Major Fund General Fund
ASSETS		
Cash and cash equivalents	\$	573,679
Investments		810,652
Accounts receivable (net)		16,699
Assessments receivable		6,506
Restricted investments		67,523
Advance to other funds		87,774
Total assets	\$	1,562,833
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$	14,269
Accrued wages		5,707
Total liabilities		19,976
 Fund balances:		
Restricted for:		
Debt service		67,523
Unassigned		1,475,334
Total fund balance		1,542,857
Total liabilities and fund balance	\$	1,562,833

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, 2021**

Total fund balances - governmental funds \$ 1,542,857

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	10,121,564	
Accumulated depreciation	<u>(4,115,351)</u>	6,006,213

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	(2,063,612)	
Compensated absences	<u>(32,112)</u>	<u>(2,095,724)</u>
Net position of governmental activities		<u>\$ 5,453,346</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, 2021**

	Major Fund General Fund
REVENUES	
Assessments	\$ 1,137,389
Charges for services	114,808
Interest income	2,111
Miscellaneous income	11,475
Total revenues	1,265,783
EXPENDITURES	
Current:	
General government	213,495
Physical environment:	
Drainage	309,636
Mosquito control	27,534
Transportation:	
Street lighting	102,306
Parks and recreation	132,706
Debt Service:	
Principal	85,132
Interest	19,505
Capital outlay	176,533
Total expenditures	1,066,847
Excess (deficiency) of revenues over (under) expenditures	198,936
OTHER FINANCING SOURCES AND (USES)	
Interfund transfers in	6,190
Proceeds from sale of capital assets	255,000
Insurance proceeds	61,059
Total other financing sources and (uses)	322,249
Net change in fund balance	521,185
Fund balance - beginning	1,021,672
Fund balance - ending	\$ 1,542,857

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, 2021**

Net change in fund balances - total governmental funds	\$ 521,185
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.	(389,388)
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.	176,533
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.	85,132
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	1,995
Loss on disposal of capital assets	(139,017)
Change in net position of governmental activities	<u>\$ 256,440</u>

See notes to the financial statements

**SPRING LAKE IMPROVEMENT DISTRICT
SEBRING, FLORIDA
STATEMENT OF NET POSITION - PROPRIETARY FUND
SEPTEMBER 30, 2021**

	Major Enterprise Funds			Total
	Water	Lot Mowing	Wastewater	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 365,259	\$ 127,615	\$ 71,304	\$ 564,178
Investments	270,256	113,360	-	383,616
Receivables, net	306,773	3,092	30,361	340,226
Grant receivable	-	-	167,629	167,629
Noncurrent assets:				
Advances to other funds	165,000	-	-	165,000
Restricted assets:				
Cash and cash equivalents	60,453	-	-	60,453
Investments	370,497	-	124,241	494,738
Capital assets:				
Capital assets not being depreciated	791,423	-	184,890	976,313
Capital assets being depreciated	4,206,325	385,221	4,649,897	9,241,443
Less accumulated depreciation	(3,221,180)	(163,880)	(258,676)	(3,643,736)
Total capital assets, net	1,776,568	221,341	4,576,111	6,574,020
Total assets	3,314,806	465,408	4,969,646	8,749,860
LIABILITIES				
Current liabilities:				
Accounts payable	24,754	2,084	10,470	37,308
Retainage payable	11,131	-	-	11,131
Accrued wages	3,927	1,904	1,032	6,863
Unearned revenues	117,690	-	-	117,690
Payable from restricted assets:				
Customer deposits	60,453	-	-	60,453
Line of credit	-	-	80,000	80,000
Loan payable	27,613	-	120,470	148,083
Compensated absences	25,082	5,883	8,581	39,546
Noncurrent liabilities:				
Loan payable	434,387	-	3,246,462	3,680,849
Advances from other funds	-	-	252,774	252,774
Total liabilities	705,037	9,871	3,719,789	4,434,697
NET POSITION				
Net investment in capital assets	1,342,181	221,341	1,129,179	2,692,701
Restricted for parkway maintenance	370,497	-	-	370,497
Unrestricted	897,091	234,196	120,678	1,251,965
Total net position	\$ 2,609,769	\$ 455,537	\$ 1,249,857	\$ 4,315,163

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, 2021**

	Major Enterprise Funds			Total
	Water	Lot Mowing	Wastewater	
OPERATING REVENUES				
Charges for sales and services	\$ 846,388	\$ 239,774	\$ 362,538	\$ 1,448,700
Total operating revenues	<u>846,388</u>	<u>239,774</u>	<u>362,538</u>	<u>1,448,700</u>
OPERATING EXPENSES				
Personnel services	350,024	99,763	128,133	577,920
Contract services	33,090	6,400	36,760	76,250
Other operating expenses	96,425	36,179	48,312	180,916
Repairs and maintenance	26,146	9,911	3,635	39,692
Office expense	36,948	9,898	4,393	51,239
Depreciation	150,700	52,457	130,619	333,776
Total operating expense	<u>693,333</u>	<u>214,608</u>	<u>351,852</u>	<u>1,259,793</u>
Operating income (loss)	<u>153,055</u>	<u>25,166</u>	<u>10,686</u>	<u>188,907</u>
NON OPERATING REVENUE (EXPENSES)				
Interest income	1,897	1,143	167	3,207
Gain (loss) on disposal of equipment	-	34,500	-	34,500
Interest expense	-	-	(4,584)	(4,584)
Total non operating revenue (expenses)	<u>1,897</u>	<u>35,643</u>	<u>(4,417)</u>	<u>33,123</u>
Income before other revenues and transfers	154,952	60,809	6,269	222,030
Capital contributions	301,199	-	-	301,199
Capital contributions- grant revenue	-	-	373,293	373,293
Transfers in (out)	(6,190)	-	-	(6,190)
Total other revenues and transfers	<u>295,009</u>	<u>-</u>	<u>373,293</u>	<u>668,302</u>
Change in net position	449,961	60,809	379,562	890,332
Total net position - beginning	<u>2,159,808</u>	<u>394,728</u>	<u>870,295</u>	<u>3,424,831</u>
Total net position - ending	<u>\$ 2,609,769</u>	<u>\$ 455,537</u>	<u>\$ 1,249,857</u>	<u>\$ 4,315,163</u>

See notes to the financial statements

**SPRING LAKE IMPROVEMENT DISTRICT
SEBRING, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2021**

	Major Enterprise Funds			Total
	Water	Lot Mowing	Wastewater	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers, users and other funds	\$ 666,168	\$ 237,259	\$ 356,854	\$ 1,260,281
Payments to suppliers	(217,046)	(62,618)	(87,260)	(366,924)
Payments to employees	(350,835)	(99,372)	(128,958)	(579,165)
Net cash provided (used) by operating activities	98,287	75,269	140,636	314,192
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of capital assets	-	34,500	-	34,500
Purchases of capital assets	(498,799)	(117,477)	(395,654)	(1,011,930)
Capital grant and contributions	301,199	-	443,174	744,373
Advances to/from other funds	10,000	-	(14,000)	(4,000)
Principal payments on capital debt	-	-	(110,470)	(110,470)
Proceeds from debt	155,000	-	-	155,000
Interest and fees on capital debt	-	-	(4,584)	(4,584)
Net cash provided (used) by capital and related financing activities	(32,600)	(82,977)	(81,534)	(197,111)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest earnings	1,897	1,143	167	3,207
Sale/(Purchase) of investments	229,015	119,767	2,905	351,687
Net cash provided (used) by investing activities	230,912	120,910	3,072	354,894
Net increase (decrease) in cash and cash equivalents	296,599	113,202	62,174	471,975
Cash and cash equivalents - October 1	129,112	14,413	9,130	152,655
Cash and cash equivalents - September 30	\$ 425,711	\$ 127,615	\$ 71,304	\$ 624,630
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating Income (loss)	\$ 153,055	\$ 25,166	\$ 10,686	\$ 188,907
Adjustments to reconcile operating income (loss) to net cash provided (used) by Operating Activities:				
Depreciation and amortization	150,700	52,457	130,619	333,776
(Increase)/Decrease in receivables	(255,392)	(2,515)	(5,684)	(263,591)
(Increase)/Decrease in prepaids	474	152	111	737
Increase/(Decrease) in accounts payable	(18,721)	(382)	5,729	(13,374)
Increase/(Decrease) in accrued wages	990	829	(193)	1,626
Increase/(Decrease) in compensated absences	(1,801)	(438)	(632)	(2,871)
Increase/(Decrease) in customer deposits	4,632	-	-	4,632
Increase/(Decrease) in unearned revenue	70,540	-	-	70,540
Interfund transfer	(6,190)	-	-	(6,190)
Total Adjustments	(54,768)	50,103	129,950	125,285
Net cash provided (used) by operating activities	\$ 98,287	\$ 75,269	\$ 140,636	\$ 314,192
NONCASH INVESTING, CAPITAL OR FINANCING ITEMS:				
Disposal of capital assets	-	(58,000)	-	(58,000)
Total noncash investing, capital or financing items	\$ -	\$ (58,000)	\$ -	\$ (58,000)

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, 2021:

Investment	Amortized Cost	Fair Value	Weighted Average Maturities	Credit Risk
Florida PRIME	\$ 31,581	\$ -	49 days	S&P AAAM
FL Class	-	1,724,948	47 days	S&P AAAM
Total Investments	<u>\$ 31,581</u>	<u>\$ 1,724,948</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, 2021, 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, 2021 were as follows:

Fund	Receivable	Payable
General	\$ 87,774	\$ -
Water	165,000	-
Wastewater	-	252,774
Total	\$ 252,774	\$ 252,774

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, 2021 were as follows:

	General Fund	Water	Lot Mowing	Wastewater	Totals
Receivables:					
Assessments	\$ 632,939	\$ -	139,402	\$ -	\$ 772,341
Accounts receivable	12,795	63,941	1,000	31,039	108,775
Due from other governments				167,629	167,629
Contributions receivables	-	245,246	-	-	245,246
Total receivables	645,734	309,187	140,402	198,668	1,293,991
Less allowance for doubtful accounts	(622,529)	(2,414)	(137,310)	(678)	(762,931)
Net receivables	\$ 23,205	\$ 306,773	\$ 3,092	\$ 197,990	\$ 531,060

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2021 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Land and land improvements	\$ 938,084	\$ -	\$ (139,016)	\$ 799,068
Total capital assets, not being depreciated	938,084	-	(139,016)	799,068
Capital assets being depreciated:				
Buildings	455,328	36,350	-	491,678
Infrastructure	7,560,060	114,416	-	7,674,476
Equipment	1,147,721	25,766	(17,145)	1,156,342
Total capital assets, being depreciated	9,163,109	176,532	(17,145)	9,322,496
Less accumulated depreciation for:				
Buildings	(246,667)	(28,679)	-	(275,346)
Infrastructure	(2,722,804)	(271,298)	-	(2,994,102)
Machinery and equipment	(773,637)	(89,411)	17,145	(845,903)
Total accumulated depreciation	(3,743,108)	(389,388)	17,145	(4,115,351)
Total capital assets, being depreciated, net	5,420,001	(212,856)	-	5,207,145
Governmental activities capital assets, net	\$ 6,358,085	\$ (212,856)	\$ (139,016)	\$ 6,006,213
<u>Business-type Activities</u>				
Capital assets not being depreciated:				
Land and land improvements	\$ 191,904	\$ -	\$ -	\$ 191,904
Construction in progress	1,269,881	298,558	(784,030)	784,409
Total capital assets, not being depreciated	1,461,785	298,558	(784,030)	976,313
Capital assets being depreciated:				
Buildings	289,314	20,370	-	309,684
Water system	3,141,567	127,842	-	3,269,409
Wastewater system	3,524,897	1,106,109	-	4,631,006
Equipment	898,359	190,986	(58,000)	1,031,345
Total capital assets, being depreciated	7,854,137	1,445,307	(58,000)	9,241,444
Less accumulated depreciation for:				
Buildings	(177,625)	(8,839)	-	(186,464)
Water system	(2,515,807)	(85,195)	-	(2,601,002)
Wastewater system	(121,445)	(129,335)	-	(250,780)
Equipment	(553,082)	(110,409)	58,000	(605,491)
Total accumulated depreciation	(3,367,959)	(333,778)	58,000	(3,643,737)
Total capital assets, being depreciated, net	4,486,178	1,111,529	-	5,597,707
Business-type activities capital assets, net	\$ 5,947,963	\$ 1,410,087	\$ (784,030)	\$ 6,574,020

NOTE 7 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to function/programs as follows:

<u>Governmental Activities:</u>	
Physical environment	\$ 345,660
Parks and recreation	43,728
Total depreciation expense	<u>\$ 389,388</u>
<u>Business-type Activities</u>	
Water	\$ 150,700
Wastewater	52,457
Lot mowing	130,619
Total depreciation expense	<u>\$ 333,776</u>

NOTE 8 – LONG-TERM LIABILITIES

Long-term debt consists of the following at September 30, 2021:

Governmental Activities:

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 \$1,675,644. 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 \$853,337. 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.

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 \$463,344. Principal and interest payments for the current year were \$38,897. In the event of a default, the lender may demand payment at any time at their discretion.

Business-type Activities:

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 \$192,779. 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.

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Business-type Activities (continued):

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 \$3,174,153. 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 was amended during the current fiscal year to set the total amount to \$278,326, including capitalized interest and loan fees and to reduce the loan term to ten years. The loan is payable in equal semi-annual installments (June and December) of \$26,344.72, 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 \$462,000. 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.

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 15th and August 15th, 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. 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, intercept the delinquent amount plus 6% interest penalty of the amount due from unobligated funds due to the District, 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. There were no draw on the loan during the current fiscal year.

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Long-term Debt Activity

Changes in long-term liability activity for the fiscal year ended September 30, 2021 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Direct borrowings:					
State Revolving Loan 280500	\$ 1,740,092	\$ -	\$ (64,448)	\$ 1,675,644	\$ 64,448
Loan payable (First Southern)	408,652	-	(20,684)	387,968	21,648
Compensated absences	34,107	20,938	(22,933)	32,112	32,112
Total	<u>\$ 2,182,851</u>	<u>\$ 20,938</u>	<u>\$ (108,065)</u>	<u>\$ 2,095,724</u>	<u>\$ 118,208</u>
<u>Business-type Activities</u>					
Direct borrowings:					
State Revolving Loan 280510	\$ 203,796	\$ -	\$ (11,017)	\$ 192,779	\$ 11,016
State Revolving Loan 280511	3,283,606	-	(109,453)	3,174,153	109,454
State Revolving Loan 280530	307,000	155,000	-	462,000	27,613
Compensated absences	42,417	30,130	(33,000)	39,547	39,547
Total	<u>\$ 3,836,819</u>	<u>\$ 185,130</u>	<u>\$ (153,470)</u>	<u>\$ 3,868,479</u>	<u>\$ 187,630</u>

At September 30, 2021, the scheduled debt service requirements on the long-term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
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	89,599	16,427	106,026
2027-2031	470,095	60,038	530,133
2032-2036	445,034	17,957	462,991
2037-2041	322,239	6,461	328,700
2042-2046	322,239	6,461	328,700
2047	64,452	1,287	65,739
Total	<u>\$ 2,063,612</u>	<u>\$ 178,153</u>	<u>\$ 2,241,765</u>
Year ending September 30:	Business-type Activities		
	Principal	Interest	Total
2022	\$ 148,083	\$ 11,863	\$ 159,946
2023	165,202	11,070	176,272
2024	166,047	10,225	176,272
2025	166,908	9,364	176,272
2026	167,785	8,487	176,272
2027-2031	852,671	28,689	881,360
2032-2036	602,348	10,945	613,293
2037-2041	574,808	10,945	585,753
2042-2046	547,268	10,945	558,213
2047-2050	437,812	8,756	446,568
Total	<u>\$ 3,828,932</u>	<u>\$ 121,289</u>	<u>\$ 3,950,221</u>

NOTE 9 – LINE OF CREDIT

In January 2020, the District entered a \$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 prior fiscal year, the District made draws of \$685,000 and repaid \$615,000, resulting in a balance at September 30, 2020 of \$70,000. During the current fiscal year, the District made draws of \$280,000 on its line of credit to finance certain expenditures in advance of receiving other funding. During the current fiscal year, the District repaid \$270,000, resulting in a balance at September 30, 2021 of \$80,000.

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, 2021, the District had open contracts for various construction projects. The contracts totaled approximately \$2.4 million, of which approximately \$417,000 was uncompleted at September 30, 2021.

NOTE 11 – CONSTRUCTION AND REIMBURSEMENT AGREEMENT

During the prior 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. During the current fiscal year, the District recognized revenues of \$301,199 related to the project, of which \$245,246 was a receivable at September 30, 2021. All permitting has been secured except from the Department of Transportation (DOT). DOT insists on a turn lane into the property in both directions. A traffic study clearly shows a westbound turn lane is not needed, and an appeal is in process with DOT. The project will not begin until DOT issues a final directive, and it is possible work can commence by mid-summer, 2022.

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 \$28,940 and \$32,359 for the fiscal years ended September 30, 2021 and 2020, 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 is in the process of being amended. Under the amendment, the loan will be repaid in semi-annual payment amounts of \$156,028, each March 15th and September 15th, beginning on March 15, 2024.

**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, 2021**

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Assessments	\$ 1,081,529	\$ 1,081,529	\$ 1,137,389	\$ 55,860
Charges for services	111,513	111,513	114,808	3,295
Interest income	6,200	6,200	2,111	(4,089)
Miscellaneous income	-	-	11,475	11,475
Total revenues	<u>1,199,242</u>	<u>1,199,242</u>	<u>1,265,783</u>	<u>66,541</u>
EXPENDITURES				
Current:				
General government	319,875	309,953	213,495	96,458
Physical environment:				
Drainage	410,968	390,968	309,636	81,332
Mosquito control	36,587	34,487	27,534	6,953
Transportation:				
Street lighting	116,500	116,500	102,306	14,194
Parks and recreation	164,614	164,614	132,706	31,908
Debt Service:				
Principal	86,740	86,740	85,132	1,608
Interest	19,000	19,000	19,505	(505)
Capital outlay	65,000	188,351	176,533	11,818
Total expenditures	<u>1,219,284</u>	<u>1,310,613</u>	<u>1,066,847</u>	<u>243,766</u>
Excess (deficiency) of revenues over (under) expenditures	(20,042)	(111,371)	198,936	310,307
OTHER FINANCING SOURCES (USES)				
Transfer in	6,190	6,190	6,190	-
Proceeds from sale of capital assets	-	-	255,000	255,000
Insurance proceeds	-	-	61,059	61,059
Use of fund balance	13,852	105,181	-	(105,181)
Total other financing sources and (uses)	<u>20,042</u>	<u>111,371</u>	<u>322,249</u>	<u>210,878</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	521,185	<u>\$ 521,185</u>
Fund balance - beginning			<u>1,021,672</u>	
Fund balance - ending				<u>\$ 1,542,857</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, 2021 was amended to increase appropriations and use of fund balance by \$91,329. Actual general fund expenditures for the fiscal year ended September 30, 2021 did not exceed appropriations.

**SPRING LAKE IMPROVEMENT DISTRICT
SEBRING, FLORIDA
OTHER INFORMATION – DATA ELEMENTS
REQUIRED BY FL STATUTE 218.39(3)(C)
UNAUDITED**

<u>Element</u>	<u>Comments</u>
Number of district employees compensated at 9/30/2021	16
Number of independent contractors compensated in September 2021	2
Employee compensation for FYE 9/30/2021 (paid/accrued)	\$748,699.50
Independent contractor compensation for FYE 9/30/2021	\$5,440.00
Construction projects to begin on or after October 1; (>\$65K)	
SRF DW280531 Construction	\$5,964,258
Budget variance report	See page 28
Ad Valorem taxes:	Not applicable
Millage rate FYE 9/30/2021	Not applicable
Ad valorem taxes collected FYE 9/30/2021	Not applicable
Outstanding Bonds:	Not applicable
Non ad valorem special assessments:	
Special assessment rate FYE 9/30/2021	Operations and maintenance - \$291.16
Special assessments collected FYE 9/30/2021	\$1,137,389.00



**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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated March 28, 2022.

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 March 28, 2022.

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.

Bear & Associates

March 28, 2022



Grau & Associates
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have examined Spring Lake Improvement District, Sebring, Florida's ("District") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2021. 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, 2021.

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

March 28, 2022



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**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, 2021 and have issued our report thereon dated March 28, 2022.

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 March 28, 2022, 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

March 28, 2022

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2021-01 Purchasing Internal Controls

Observation: During our testing, we noted that a purchase order was not generated for one of the items selected.

Recommendation: The District should implement control procedures to review and ensure that all required procurement documentation is issued and approved.

Management Response: The District budgeted for a nifty-lift tree trimming equipment for FY '22 and there was an 18 week wait. We had to send in a \$2,000 deposit. We were told in August of 2021 that a similar model was available right away if we wanted it. The District Manager accepted the change, and instructed staff to pick up the equipment to save a \$1,500 delivery charge. The Board approved a budget transfer at its September 8, 2021 Board meeting with Resolution 2021-13. While an official purchase order was not generated, the Resolution by the Board should have been sufficient.

II. PRIOR YEAR FINDINGS

2020-01 Payroll Internal Controls

Current Status: Recommendation has been implemented.

2020-02 Water and Sewer Billing Internal Controls

Current Status: Recommendation has been implemented.

2020-03 Budget

Current Status: Recommendation has been implemented.

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

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

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

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2020, except as noted above.

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2021, 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, 2021.

REPORT TO MANAGEMENT (Continued)

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, 2021. 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.
7. Management has provided the specific information required by Section 218.39(3)(c) in the Other Information section of the financial statements on page 30.