

**SPRING LAKE IMPROVEMENT DISTRICT
SEBRING, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2022**

**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 Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

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 is the responsibility of management and, 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.

Supplementary 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 schedule of expenditures of state financial assistance projects, as required by Chapter 10.550, *Rules of the Auditor General* of the State of Florida are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of state financial assistance projects are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance projects are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information Included in the Financial Report

Management is responsible for the other information included in the financial report. The other information comprises the information for compliance with FL Statute 218.39 (3) (c), but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2023, 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.

Bhav & Associates

April 18, 2023

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, 2022. 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 \$10,444,032.
- The change in the District's total net position in comparison with the prior fiscal year was \$675,523, 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.
- Business-type activities generated \$1,778,832 in revenues with \$1,346,000 in expenses.
- At September 30, 2022, the District's governmental fund reported ending fund balance of \$2,139,332, an increase of \$596,475 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 | |
| | 2022 | 2021 (Restated) | 2022 | 2021 | 2022 | 2021 (Restated) |
| Assets, excluding capital assets | \$ 2,154,551 | \$ 1,562,833 | \$ 1,927,022 | \$ 1,923,066 | \$ 4,081,573 | \$ 3,485,899 |
| Capital assets, net of depreciation | 5,583,451 | 6,017,556 | 8,359,449 | 6,574,020 | 13,942,900 | 12,591,576 |
| Total assets | 7,738,002 | 7,580,389 | 10,286,471 | 8,497,086 | 18,024,473 | 16,077,475 |
| Liabilities, excluding long-term liabilities | 15,219 | 19,976 | 242,065 | 313,445 | 257,284 | 333,421 |
| Long-term liabilities | 2,020,556 | 2,107,067 | 5,302,601 | 3,868,478 | 7,323,157 | 5,975,545 |
| Total liabilities | 2,035,775 | 2,127,043 | 5,544,666 | 4,181,923 | 7,580,441 | 6,308,966 |
| Net position | | | | | | |
| Net investment in capital assets | 3,597,641 | 3,941,173 | 3,100,976 | 2,692,701 | 6,698,617 | 6,633,874 |
| Restricted for: | | | | | | |
| Debt service | 68,052 | 67,523 | 124,204 | 370,497 | 192,256 | 438,020 |
| Parkway maintenance | - | - | 313,289 | - | 313,289 | - |
| Unrestricted | 2,036,534 | 1,444,650 | 1,203,336 | 1,251,965 | 3,239,870 | 2,696,615 |
| Total net position | \$ 5,702,227 | \$ 5,453,346 | \$ 4,741,805 | \$ 4,315,163 | \$ 10,444,032 | \$ 9,768,509 |

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 | |
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Revenues: | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 1,325,909 | \$ 1,252,197 | \$ 1,757,417 | \$ 1,448,700 | \$ 3,083,326 | \$ 2,700,897 |
| Capital grants and contributions | 20,762 | - | - | 674,492 | 20,762 | 674,492 |
| General revenues | | | | | | |
| Investment earnings | 10,722 | 2,111 | 11,915 | 3,207 | 22,637 | 5,318 |
| Miscellaneous | 1,430 | 72,534 | - | - | 1,430 | 72,534 |
| Gain on sale of capital assets | 194,953 | 115,983 | 9,500 | 34,500 | 204,453 | 150,483 |
| Total revenues | 1,553,776 | 1,442,825 | 1,778,832 | 2,160,899 | 3,332,608 | 3,603,724 |
| Expenses: | | | | | | |
| General government | 235,808 | 211,500 | - | - | 235,808 | 211,500 |
| Physical environment | 717,386 | 682,830 | - | - | 717,386 | 682,830 |
| Transportation | 115,591 | 102,306 | - | - | 115,591 | 102,306 |
| Parks and recreation | 223,353 | 176,434 | - | - | 223,353 | 176,434 |
| Interest on long-term debt | 18,947 | 19,505 | - | - | 18,947 | 19,505 |
| Water utility | - | - | 735,612 | 693,333 | 735,612 | 693,333 |
| Lot mowing | - | - | 271,534 | 214,608 | 271,534 | 214,608 |
| Wastewater | - | - | 338,854 | 356,436 | 338,854 | 356,436 |
| Total expenses | 1,311,085 | 1,192,575 | 1,346,000 | 1,264,377 | 2,657,085 | 2,456,952 |
| Transfers | 6,190 | 6,190 | (6,190) | (6,190) | - | - |
| Change in net position | 248,881 | 256,440 | 426,642 | 890,332 | 675,523 | 1,146,772 |
| Net position - beginning | 5,453,346 | 5,196,906 | 4,315,163 | 3,424,831 | 9,768,509 | 8,621,737 |
| Net position - ending | \$ 5,702,227 | \$ 5,453,346 | \$ 4,741,805 | \$ 4,315,163 | \$ 10,444,032 | \$ 9,768,509 |

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, 2022 was \$1,311,085. 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. Expenses increased primarily due to increases in operating and maintenance costs, including utilities and fuel, as well as increases in depreciation expense.

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. Increase in charges for services was due primarily to rate increases. Overall revenues decreased, primarily due to non-recurring capital grants received in the prior fiscal year as well as lower gains from the sale of capital assets. Expenses increased primarily due to increases in repair and maintenance costs, as well as increases in depreciation expense.

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, 2022 was amended to increase revenues, appropriations, and use of fund balance by \$1,430, \$11,109, and \$9,679, respectively. Actual general fund expenditures for the fiscal year ended September 30, 2022 did not exceed appropriations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2022, the District had \$10,059,467 invested in capital assets for its governmental activities. In the government-wide financial statements depreciation of \$4,476,016 has been taken, which resulted in a net book value of \$5,583,451. The District's business-type activities reported net capital assets of \$8,359,449. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Capital Debt

At September 30, 2022, the District had \$1,977,519 in loans outstanding for its governmental activities. For business-type activities, the District had loans outstanding of \$5,258,472. During the current fiscal year, the District made draws on State Revolving Fund loan 280531 for \$1,577,624. More detailed information about the District's capital debt is presented in the notes of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND OTHER EVENTS

The District will be field testing an innovative wastewater system with Eco Water, Inc., with a likely purchase of the equipment when permitted.

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, 2022**

| | Governmental Activities | Business-type Activities | Total |
|----------------------------------|----------------------------|-----------------------------|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 127,267 | \$ 213,431 | \$ 340,698 |
| Investments | 1,685,730 | 1,154,555 | 2,840,285 |
| Accounts receivable (net) | 12,819 | 291,141 | 303,960 |
| Assessments receivable | 21,909 | - | 21,909 |
| Internal balances | 238,774 | (238,774) | - |
| Restricted assets: | | | |
| Cash and cash equivalents | - | 69,176 | 69,176 |
| Investments | 68,052 | 437,493 | 505,545 |
| Capital assets: | | | |
| Nondepreciable | 722,866 | 2,753,221 | 3,476,087 |
| Depreciable, net | 4,860,585 | 5,606,228 | 10,466,813 |
| Total assets | <u>7,738,002</u> | <u>10,286,471</u> | <u>18,024,473</u> |
| LIABILITIES | | | |
| Accounts payable | 7,299 | 32,245 | 39,544 |
| Accrued wages | 7,920 | 8,345 | 16,265 |
| Retainage payable | - | 121,024 | 121,024 |
| Payable from restricted assets: | | | |
| Customer deposits | - | 69,176 | 69,176 |
| Unearned revenue | - | 11,275 | 11,275 |
| Non-current liabilities: | | | |
| Due within one year | 129,087 | 209,330 | 338,417 |
| Due in more than one year | 1,891,469 | 5,093,271 | 6,984,740 |
| Total liabilities | <u>2,035,775</u> | <u>5,544,666</u> | <u>7,580,441</u> |
| NET POSITION | | | |
| Net investment in capital assets | 3,597,641 | 3,100,976 | 6,698,617 |
| Restricted for: | | | |
| Debt service | 68,052 | 124,204 | 192,256 |
| Parkway maintenance | - | 313,289 | 313,289 |
| Unrestricted | 2,036,534 | 1,203,336 | 3,239,870 |
| Total net position | <u>\$ 5,702,227</u> | <u>\$ 4,741,805</u> | <u>\$ 10,444,032</u> |

See notes to the financial statements

**SPRING LAKE IMPROVEMENT DISTRICT
SEBRING, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | |
|---------------------------------------|------------------|----------------------|----------------------------------|-------------------------|---|----------------------|----------------------|
| | Expenses | Charges for Services | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total | |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 235,808 | \$ 447,430 | \$ - | \$ 211,622 | \$ - | \$ 211,622 | \$ 211,622 |
| Physical environment | 717,386 | 508,882 | 20,762 | (187,742) | - | (187,742) | (187,742) |
| Transportation | 115,591 | 123,556 | - | 7,965 | - | 7,965 | 7,965 |
| Parks and recreation | 223,353 | 246,041 | - | 22,688 | - | 22,688 | 22,688 |
| Interest on long-term debt | 18,947 | - | - | (18,947) | - | (18,947) | (18,947) |
| Total governmental activities | 1,311,085 | 1,325,909 | 20,762 | 35,586 | - | 35,586 | 35,586 |
| Business-type activities: | | | | | | | |
| Water utility | 735,612 | 1,063,063 | - | - | 327,451 | 327,451 | 327,451 |
| Lot mowing | 271,534 | 288,564 | - | - | 17,030 | 17,030 | 17,030 |
| Wastewater | 338,854 | 405,790 | - | - | 66,936 | 66,936 | 66,936 |
| Total business-type activities | 1,346,000 | 1,757,417 | - | - | 411,417 | 411,417 | 411,417 |
| General revenues: | | | | | | | |
| Unrestricted investment earnings | | | | 10,722 | 11,915 | 22,637 | 22,637 |
| Miscellaneous income | | | | 1,430 | - | 1,430 | 1,430 |
| Gain on sale of capital assets | | | | 194,953 | 9,500 | 204,453 | 204,453 |
| Total general revenues | | | | 207,105 | 21,415 | 228,520 | 228,520 |
| Transfers | | | | 6,190 | (6,190) | - | - |
| Change in net position | | | | 248,881 | 426,642 | 675,523 | 675,523 |
| Net position - beginning | | | | 5,453,346 | 4,315,163 | 9,768,509 | 9,768,509 |
| Net position - ending | | | | \$ 5,702,227 | \$ 4,741,805 | \$ 10,444,032 | \$ 10,444,032 |

See notes to the financial statements

**SPRING LAKE IMPROVEMENT DISTRICT
SEBRING, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022**

| | Major Fund |
|--|--------------|
| | General Fund |
| ASSETS | |
| Cash and cash equivalents | \$ 127,267 |
| Investments | 1,685,730 |
| Accounts receivable (net) | 12,819 |
| Assessments receivable | 21,909 |
| Restricted investments | 68,052 |
| Advance to other funds | 238,774 |
| Total assets | \$ 2,154,551 |
| LIABILITIES AND FUND BALANCES | |
| Liabilities: | |
| Accounts payable | \$ 7,299 |
| Accrued wages | 7,920 |
| Total liabilities | 15,219 |
| Fund balances: | |
| Restricted for: | |
| Debt service | 68,052 |
| Unassigned | 2,071,280 |
| Total fund balance | 2,139,332 |
| Total liabilities and fund balance | \$ 2,154,551 |

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, 2022**

| | |
|--|--------------|
| Total fund balances - governmental funds | \$ 2,139,332 |
|--|--------------|

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 | 10,059,467 | |
| Accumulated depreciation | <u>(4,476,016)</u> | 5,583,451 |

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 | (1,977,519) | |
| Lease payable | (6,863) | |
| Compensated absences | <u>(36,174)</u> | <u>(2,020,556)</u> |
| Net position of governmental activities | | <u><u>\$ 5,702,227</u></u> |

See notes to the financial statements

**SPRING LAKE IMPROVEMENT DISTRICT
SEBRING, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

| | Major Fund General Fund |
|--|----------------------------|
| REVENUES | |
| Assessments | \$ 1,199,965 |
| Intergovernmental revenues | 20,762 |
| Charges for services | 125,944 |
| Interest income | 10,722 |
| Miscellaneous income | 1,430 |
| Total revenues | 1,358,823 |
| EXPENDITURES | |
| Current: | |
| General government | 231,746 |
| Physical environment: | |
| Drainage | 351,921 |
| Mosquito control | 22,993 |
| Transportation: | |
| Street lighting | 115,591 |
| Parks and recreation | 164,209 |
| Debt Service: | |
| Principal | 90,573 |
| Interest | 18,947 |
| Capital outlay | 43,713 |
| Total expenditures | 1,039,693 |
| Excess (deficiency) of revenues over (under) expenditures | 319,130 |
| OTHER FINANCING SOURCES AND (USES) | |
| Interfund transfers in | 6,190 |
| Proceeds from sale of capital assets | 271,155 |
| Total other financing sources and (uses) | 277,345 |
| Net change in fund balance | 596,475 |
| Fund balance - beginning | 1,542,857 |
| Fund balance - ending | \$ 2,139,332 |

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, 2022**

| | |
|---|------------|
| Net change in fund balances - total governmental funds | \$ 596,475 |
| 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. | (401,616) |
| 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. | 43,713 |
| 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. | 90,573 |
| 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 | (4,062) |
| Loss on disposal of capital assets | (76,202) |
| Change in net position of governmental activities | \$ 248,881 |

See notes to the financial statements

**SPRING LAKE IMPROVEMENT DISTRICT
SEBRING, FLORIDA
STATEMENT OF NET POSITION - PROPRIETARY FUND
SEPTEMBER 30, 2022**

| | Major Enterprise Funds | | | Total |
|--------------------------------------|------------------------|------------|--------------|--------------|
| | Water | Lot Mowing | Wastewater | |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 574 | \$ 120,508 | \$ 92,349 | \$ 213,431 |
| Investments | 839,443 | 174,501 | 140,611 | 1,154,555 |
| Receivables, net | 245,444 | 8,907 | 36,790 | 291,141 |
| Restricted assets: | | | | |
| Cash and cash equivalents | 69,176 | - | - | 69,176 |
| Investments | 313,289 | - | 124,204 | 437,493 |
| Capital assets: | | | | |
| Capital assets not being depreciated | 2,568,331 | - | 184,890 | 2,753,221 |
| Capital assets being depreciated | 4,336,071 | 382,712 | 4,646,991 | 9,365,774 |
| Less accumulated depreciation | (3,158,678) | (191,908) | (408,960) | (3,759,546) |
| Total capital assets, net | 3,745,724 | 190,804 | 4,422,921 | 8,359,449 |
| Total assets | 5,213,650 | 494,720 | 4,816,875 | 10,525,245 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | 29,823 | 885 | 1,537 | 32,245 |
| Retainage payable | 121,024 | - | - | 121,024 |
| Accrued wages | 4,050 | 2,093 | 2,202 | 8,345 |
| Unearned revenues | 11,275 | - | - | 11,275 |
| Payable from restricted assets: | | | | |
| Customer deposits | 69,176 | - | - | 69,176 |
| Loan payable | 44,732 | - | 120,470 | 165,202 |
| Compensated absences | 27,589 | 7,007 | 9,532 | 44,128 |
| Noncurrent liabilities: | | | | |
| Loan payable | 1,967,279 | - | 3,125,992 | 5,093,271 |
| Advances from other funds | - | - | 238,774 | 238,774 |
| Total liabilities | 2,274,948 | 9,985 | 3,498,507 | 5,783,440 |
| NET POSITION | | | | |
| Net investment in capital assets | 1,733,713 | 190,804 | 1,176,459 | 3,100,976 |
| Restricted for parkway maintenance | 313,289 | - | - | 313,289 |
| Restricted for debt service | - | - | 124,204 | 124,204 |
| Unrestricted | 891,700 | 293,931 | 17,705 | 1,203,336 |
| Total net position | \$ 2,938,702 | \$ 484,735 | \$ 1,318,368 | \$ 4,741,805 |

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, 2022**

| | Major Enterprise Funds | | | Total |
|--|------------------------|-------------------|---------------------|---------------------|
| | Water | Lot Mowing | Wastewater | |
| OPERATING REVENUES | | | | |
| Charges for sales and services | \$ 1,063,063 | \$ 288,564 | \$ 405,790 | \$ 1,757,417 |
| Total operating revenues | <u>1,063,063</u> | <u>288,564</u> | <u>405,790</u> | <u>1,757,417</u> |
| OPERATING EXPENSES | | | | |
| Personnel services | 322,797 | 138,953 | 92,043 | 553,793 |
| Contract services | 32,580 | 6,900 | 15,766 | 55,246 |
| Other operating expenses | 124,810 | 49,312 | 49,016 | 223,138 |
| Repairs and maintenance | 40,733 | 9,336 | 13,604 | 63,673 |
| Office expense | 33,998 | 10,175 | 4,215 | 48,388 |
| Depreciation | 155,618 | 56,858 | 161,762 | 374,238 |
| Total operating expense | <u>710,536</u> | <u>271,534</u> | <u>336,406</u> | <u>1,318,476</u> |
| Operating income (loss) | <u>352,527</u> | <u>17,030</u> | <u>69,384</u> | <u>438,941</u> |
| NON OPERATING REVENUE (EXPENSES) | | | | |
| Interest income | 7,672 | 2,668 | 1,575 | 11,915 |
| Gain (loss) on disposal of equipment | - | 9,500 | - | 9,500 |
| Interest expense | (25,076) | - | (2,448) | (27,524) |
| Total non operating revenue (expenses) | <u>(17,404)</u> | <u>12,168</u> | <u>(873)</u> | <u>(6,109)</u> |
| Income before other revenues and transfers | 335,123 | 29,198 | 68,511 | 432,832 |
| Transfers in (out) | (6,190) | - | - | (6,190) |
| Total other revenues and transfers | <u>(6,190)</u> | <u>-</u> | <u>-</u> | <u>(6,190)</u> |
| Change in net position | 328,933 | 29,198 | 68,511 | 426,642 |
| Total net position - beginning | <u>2,609,769</u> | <u>455,537</u> | <u>1,249,857</u> | <u>4,315,163</u> |
| Total net position - ending | <u>\$ 2,938,702</u> | <u>\$ 484,735</u> | <u>\$ 1,318,368</u> | <u>\$ 4,741,805</u> |

See notes to the financial statements

**SPRING LAKE IMPROVEMENT DISTRICT
SEBRING, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2022**

| | Major Enterprise Funds | | | Total |
|---|------------------------|-------------|-------------|--------------|
| | Water | Lot Mowing | Wastewater | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers, users and other funds | \$ 1,026,700 | \$ 282,749 | \$ 399,361 | \$ 1,708,810 |
| Payments to suppliers | (233,242) | (76,922) | (91,534) | (401,698) |
| Payments to employees | (320,167) | (137,640) | (89,922) | (547,729) |
| Net cash provided (used) by operating activities | 473,291 | 68,187 | 217,905 | 759,383 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Proceeds from sale of capital assets | - | 9,500 | - | 9,500 |
| Purchases of capital assets | (2,014,881) | (26,321) | (8,572) | (2,049,774) |
| Capital grant and contributions | - | - | 167,629 | 167,629 |
| Advances to/from other funds | 165,000 | - | (14,000) | 151,000 |
| Principal payments on capital debt | (27,614) | - | (200,470) | (228,084) |
| Proceeds from debt | 1,577,624 | - | - | 1,577,624 |
| Interest and fees on capital debt | (25,076) | - | (2,448) | (27,524) |
| Net cash provided (used) by capital and related financing activities | (324,947) | (16,821) | (57,861) | (399,629) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest earnings | 7,672 | 2,668 | 1,575 | 11,915 |
| Sale/(Purchase) of investments | (511,979) | (61,141) | (140,574) | (713,694) |
| Net cash provided (used) by investing activities | (504,307) | (58,473) | (138,999) | (701,779) |
| Net increase (decrease) in cash and cash equivalents | (355,963) | (7,107) | 21,045 | (342,025) |
| Cash and cash equivalents - October 1 | 425,712 | 127,615 | 71,304 | 624,631 |
| Cash and cash equivalents - September 30 | \$ 69,749 | \$ 120,508 | \$ 92,349 | \$ 282,606 |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities | | | | |
| Operating Income (loss) | \$ 352,527 | \$ 17,030 | \$ 69,384 | \$ 438,941 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by Operating Activities: | | | | |
| Depreciation and amortization | 155,618 | 56,858 | 161,762 | 374,238 |
| (Increase)/Decrease in receivables | 61,329 | (5,815) | (6,429) | 49,085 |
| Increase/(Decrease) in accounts payable | 5,069 | (1,199) | (8,933) | (5,063) |
| Increase/(Decrease) in accrued wages | 123 | 189 | 1,170 | 1,482 |
| Increase/(Decrease) in compensated absences | 2,507 | 1,124 | 951 | 4,582 |
| Increase/(Decrease) in customer deposits | 8,723 | - | - | 8,723 |
| Increase/(Decrease) in unearned revenue | (106,415) | - | - | (106,415) |
| Interfund transfer | (6,190) | - | - | (6,190) |
| Total Adjustments | 120,764 | 51,157 | 148,521 | 320,442 |
| Net cash provided (used) by operating activities | \$ 473,291 | \$ 68,187 | \$ 217,905 | \$ 759,383 |
| NONCASH INVESTING, CAPITAL OR FINANCING ITEMS: | | | | |
| Disposal of capital assets | (218,120) | (28,830) | (11,478) | (258,428) |
| Total noncash investing, capital or financing items | \$ (218,120) | \$ (28,830) | \$ (11,478) | \$ (246,950) |

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, except for intangible right-to-use assets, discussed in Leases below. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed, except for intangible right-to-use assets, the measurement of which is discussed in Leases below. 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, right-to-use leased equipment, and equipment of the District are depreciated/amortized 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 |
| Right-to-use- leased equipment | 3 |
| Infrastructure | 20 – 40 |
| Buildings | 10 - 40 |

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets, including entering contracts giving the District the right to use leased 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)

Leases

The District is a lessee for several non-cancellable lease of equipment. The District recognizes a lease liability and an intangible right-to-use lease assets (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$500 or more. At the commencement of the lease, the District measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The leased asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the commencement date, plus certain direct costs. Subsequently, the leased asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Recent Accounting Pronouncements Adopted

GASB Statement No. 87 – Leases

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. As amended by GASB statement No. 95, the requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

As a result of the adoption of GASB 87, the financial statements were restated as follows:

| | |
|--|----------------------------|
| | Governmental Activities |
| Beginning capital assets, as previously reported (net) | \$ 6,006,213 |
| Right-to-Use Lease Equipment | 11,343 |
| Beginning capital assets, as restated (net) | <u>\$ 6,017,556</u> |
| | Governmental Activities |
| Beginning long-term liabilities, as previously reported | \$ 2,095,724 |
| Lease liability | 11,343 |
| Beginning long-term liabilities, as restated | <u>\$ 2,107,067</u> |

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, 2022:

| Investment | Amortized Cost | Fair Value | Weighted Average Maturities | Credit Risk |
|-------------------|------------------|---------------------|-----------------------------|-------------|
| Florida PRIME | \$ 31,850 | \$ - | 21 days | S&P AAAM |
| FL Class | - | 3,313,980 | 26 days | S&P AAAM |
| Total Investments | <u>\$ 31,850</u> | <u>\$ 3,313,980</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, 2022, 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, 2022 were as follows:

| Fund | Receivable | Payable |
|------------|------------|------------|
| General | \$ 238,774 | \$ - |
| Wastewater | - | 238,774 |
| Total | \$ 238,774 | \$ 238,774 |

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, 2022 were as follows:

| | General Fund | Water | Lot Mowing | Wastewater | Totals |
|--------------------------------------|--------------|------------|------------|------------|------------|
| Receivables: | | | | | |
| Assessments | \$ 589,907 | \$ - | 79,244 | \$ - | \$ 669,151 |
| Accounts receivable | 13,900 | 79,369 | 3,638 | 36,790 | 133,697 |
| Contributions receivables | - | 170,246 | - | - | 170,246 |
| Total receivables | 603,807 | 249,615 | 82,882 | 36,790 | 973,094 |
| Less allowance for doubtful accounts | (569,079) | (4,171) | (73,975) | - | (647,225) |
| Net receivables | \$ 34,728 | \$ 245,444 | \$ 8,907 | \$ 36,790 | \$ 325,869 |

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2022 was as follows:

| | Beginning Balance (Restated) | Additions | Deletions | Ending Balance |
|--|------------------------------------|--------------|--------------|-------------------|
| <u>Governmental Activities</u> | | | | |
| Capital assets not being depreciated: | | | | |
| Land and land improvements | \$ 799,068 | \$ - | \$ (76,202) | \$ 722,866 |
| Total capital assets, not being depreciated | 799,068 | - | (76,202) | 722,866 |
| Capital assets being depreciated: | | | | |
| Buildings | 491,678 | - | (1,100) | 490,578 |
| Infrastructure | 7,674,476 | 4,702 | (4,295) | 7,674,883 |
| Equipment | 1,156,342 | 39,011 | (35,556) | 1,159,797 |
| Right-to-Use Lease Equipment | 11,343 | - | - | 11,343 |
| Total capital assets, being depreciated | 9,333,839 | 43,713 | (40,951) | 9,336,601 |
| Less accumulated depreciation for: | | | | |
| Buildings | (275,346) | (29,125) | 1,100 | (303,371) |
| Infrastructure | (2,994,102) | (282,608) | 4,295 | (3,272,415) |
| Machinery and equipment | (845,903) | (84,675) | 35,556 | (895,022) |
| Right-to-Use Lease Equipment | - | (5,208) | - | (5,208) |
| Total accumulated depreciation | (4,115,351) | (401,616) | 40,951 | (4,476,016) |
| Total capital assets, being depreciated, net | 5,218,488 | (357,903) | - | 4,860,585 |
| Governmental activities capital assets, net | \$ 6,017,556 | \$ (357,903) | \$ (76,202) | \$ 5,583,451 |
| <u>Business-type Activities</u> | | | | |
| Capital assets not being depreciated: | | | | |
| Land and land improvements | \$ 191,904 | \$ - | \$ - | \$ 191,904 |
| Construction in progress | 784,409 | 2,078,107 | (301,199) | 2,561,317 |
| Total capital assets, not being depreciated | 976,313 | 2,078,107 | (301,199) | 2,753,221 |
| Capital assets being depreciated: | | | | |
| Buildings | 309,684 | - | (19,631) | 290,053 |
| Water system | 3,269,409 | 341,366 | (191,720) | 3,419,055 |
| Wastewater system | 4,631,006 | 8,572 | (6,285) | 4,633,293 |
| Equipment | 1,031,345 | 32,821 | (40,792) | 1,023,374 |
| Total capital assets, being depreciated | 9,241,444 | 382,759 | (258,428) | 9,365,775 |
| Less accumulated depreciation for: | | | | |
| Buildings | (186,464) | (8,837) | 19,631 | (175,670) |
| Water system | (2,601,002) | (83,188) | 191,720 | (2,492,470) |
| Wastewater system | (250,780) | (158,681) | 6,285 | (403,176) |
| Equipment | (605,491) | (123,532) | 40,792 | (688,231) |
| Total accumulated depreciation | (3,643,737) | (374,238) | 258,428 | (3,759,547) |
| Total capital assets, being depreciated, net | 5,597,707 | 8,521 | - | 5,606,228 |
| Business-type activities capital assets, net | \$ 6,574,020 | \$ 2,086,628 | \$ (301,199) | \$ 8,359,449 |

NOTE 7 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to function/programs as follows:

| <u>Governmental Activities:</u> | |
|---------------------------------|-------------------|
| Physical environment | \$ 342,472 |
| Parks and recreation | 59,144 |
| Total depreciation expense | <u>\$ 401,616</u> |
| <u>Business-type Activities</u> | |
| Water | \$ 155,618 |
| Wastewater | 56,858 |
| Lot mowing | 161,762 |
| Total depreciation expense | <u>\$ 374,238</u> |

NOTE 8 – LONG-TERM LIABILITIES

Long-term debt consists of the following at September 30, 2022:

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 \$1,611,196. 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 \$916,746. 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 \$447,430. Principal and interest payments for the current year were \$38,898. In the event of a default, the lender may demand payment at any time at their discretion.

During prior fiscal years, the District entered into various equipment lease agreements as a lessee. The District adopted GASB 87 in the current fiscal year. As a result, an initial lease liability and intangible right-to-use leased equipment asset was recorded for two leases in the amount of \$11,343. The lease liability was measured using a discount rate of 4.43%. The leases require annual payments ranging from \$1,529 to \$4,444, and has lease end dates ranging from November to December 2023.

During the current fiscal year, the District recognized lease expense as follows:

| | Fiscal Year ending September 30, 2022: |
|---|---|
| Lease expense | |
| Amortization expense - leased equipment | \$ 5,208 |
| Interest on lease liabilities | 402 |
| Total expense | <u>\$ 5,610</u> |

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Two of the leases were paid off in the current fiscal year. As of September 30, 2022, the future principal and interest payments under the lease agreements were as follows:

| Year ending September 30: | Governmental Activities | | |
|---------------------------------|-------------------------|----------|----------|
| | Principal | Interest | Total |
| 2023 | \$ 5,808 | \$ 165 | \$ 5,973 |
| 2024 | 1,055 | 2 | 1,057 |
| Total | \$ 6,863 | \$ 167 | \$ 7,030 |

The value of the right-to-use asset as of the end of the current fiscal year was \$11,343 and had accumulated amortization of \$5,208.

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 \$181,764. The loan is secured by a pledge of the gross revenues of the wastewater system after payment of operation and maintenance expense and yearly payments on any senior obligations. Upon any event of default and subject to the rights of others having prior liens on the Pledged Revenues, the Department may enforce its rights, including: establishing rates and collect fees and charges for use of the Sewer System, applying to a court to appoint a receiver to manage the Sewer System, impose a penalty in an amount not to exceed an interest rate of 18 percent per annum on the amount due in addition to charging the cost to handle and process the debt, and accelerating the repayment schedule.

In March 2018, the District entered a Construction Loan Agreement with the Florida Department of Environmental Protection to construct the Wastewater Treatment Plant for a principal amount up to \$3,145,000. The loan has a 30 year term with 0% interest. The loan is payable in equal semi-annual installments (April and October), beginning on April 15, 2020. The loan was amended in October 2019, to increase maximum funding to \$3,345,000. Under the amendment, the loan is payable in equal semi-annual installments (April and October) of \$53,465, beginning on October 15, 2020 and ending on April 15, 2050. The balance at the end of the current fiscal year is \$3,064,698. 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 2021 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 \$434,386. Upon any event of default and subject to the rights of others having prior liens on the Pledged Revenues, the Department may enforce its rights, including: establishing rates and collect fees and charges for use of the Water System, applying to a court to appoint a receiver to manage the Water System, impose a penalty in an amount not to exceed an interest rate of 18 percent per annum on the amount due in addition to charging the cost to handle and process the debt, and accelerating the repayment schedule or increasing the interest rate on the unpaid principal of the loan to as much as 1.667 times the loan interest rate.

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Business-type Activities (continued):

In November 2020, the District entered a Drinking Water State Revolving Fund Construction Loan Agreement, 280531, 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 was amended in the current fiscal year to change the project completion date to September 15, 2023, and to extend the due date for the first semi-annual loan payment to March 15, 2024. 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. During the current fiscal year, the District made draw downs on the loan totaling \$1,577,624. The balance is not included in the maturity schedule as the loan is still being drawn down – see Note 14 for subsequent amounts.

Long-term Debt Activity

Changes in long-term liability activity for the fiscal year ended September 30, 2022 were as follows:

| | Beginning Balance (Restated) | Additions | Reductions | Ending Balance | Due Within One Year |
|---------------------------------|------------------------------------|---------------------|---------------------|---------------------|------------------------|
| <u>Governmental activities</u> | | | | | |
| Direct borrowings: | | | | | |
| State Revolving Loan 280500 | \$ 1,675,644 | \$ - | \$ (64,448) | \$ 1,611,196 | \$ 64,448 |
| Loan payable (First Southern) | 387,968 | - | (21,645) | 366,323 | 22,657 |
| Leases | 11,343 | - | (4,480) | 6,863 | 5,808 |
| Compensated absences | 32,112 | 22,714 | (18,652) | 36,174 | 36,174 |
| Total | <u>\$ 2,107,067</u> | <u>\$ 22,714</u> | <u>\$ (109,225)</u> | <u>\$ 2,020,556</u> | <u>\$ 129,087</u> |
| <u>Business-type Activities</u> | | | | | |
| Direct borrowings: | | | | | |
| State Revolving Loan 280510 | \$ 192,779 | \$ - | \$ (11,016) | \$ 181,763 | \$ 11,016 |
| State Revolving Loan 280511 | 3,174,153 | - | (109,454) | 3,064,699 | 109,454 |
| State Revolving Loan 280530 | 462,000 | - | (27,614) | 434,386 | 44,732 |
| State Revolving Loan 280531 | - | 1,577,624 | - | 1,577,624 | - |
| Compensated absences | 39,547 | 25,614 | (21,033) | 44,128 | 44,128 |
| Total | <u>\$ 3,868,479</u> | <u>\$ 1,603,238</u> | <u>\$ (169,117)</u> | <u>\$ 5,302,600</u> | <u>\$ 209,330</u> |

At September 30, 2022, the scheduled debt service requirements on the long-term debt were as follows:

| Year ending September 30: | Governmental Activities | | |
|------------------------------|-------------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 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 | 90,971 | 15,055 | 106,026 |
| 2028-2032 | 478,144 | 51,989 | 530,133 |
| 2033-2037 | 410,464 | 12,243 | 422,707 |
| 2038-2042 | 322,239 | 6,461 | 328,700 |
| 2043-2047 | 322,244 | 6,456 | 328,700 |
| Total | <u>\$ 1,977,519</u> | <u>\$ 159,611</u> | <u>\$ 2,137,130</u> |

NOTE 8 – LONG-TERM LIABILITIES (Continued)

| Year ending September 30: | Business-type Activities | | |
|------------------------------|--------------------------|------------|--------------|
| | Principal | Interest | Total |
| 2023 | \$ 165,202 | \$ 10,146 | \$ 175,348 |
| 2024 | 166,047 | 9,301 | 175,348 |
| 2025 | 166,908 | 8,440 | 175,348 |
| 2026 | 167,785 | 7,563 | 175,348 |
| 2027 | 168,678 | 6,670 | 175,348 |
| 2028-2032 | 804,463 | 19,588 | 824,051 |
| 2033-2037 | 602,348 | 10,945 | 613,293 |
| 2038-2042 | 563,792 | 10,945 | 574,737 |
| 2043-2047 | 547,268 | 10,945 | 558,213 |
| 2048-2050 | 328,357 | 6,569 | 334,926 |
| Total | \$ 3,680,848 | \$ 101,112 | \$ 3,781,960 |

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 2020 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 2021 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, 2022 of \$80,000. During the current fiscal year, the District paid off the \$80,000 balance.

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.

As of September 30, 2022, the District had open contracts for various construction projects. The contracts totaled approximately \$3.6 million, of which approximately \$2.2 million was uncompleted at September 30, 2022.

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 2021 fiscal year, the District recognized revenues of \$301,199 related to the project, of which \$245,246 was a receivable at September 30, 2021. In the current fiscal year, the District collected an additional \$75,000, leaving a receivable balance of \$170,246 at September 30, 2022. All permits have been secured and the developers are planning to reserve their utility capacity in 2023 per communication with the District Manager.

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 \$35,819 for the fiscal years ended September 30, 2021 and 2022, 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 280531 with the State of Florida Department of Environment Protection to finance upgrades to the District's water infrastructure. Subsequent to the end of the current fiscal year, the District made additional draws on the loan of \$1,352,302.

**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, 2022**

| | Budget | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|--|------------------|------------------|------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Assessments | \$ 1,064,339 | \$ 1,064,339 | \$ 1,199,965 | \$ 135,626 |
| Intergovernmental revenues | - | - | 20,762 | 20,762 |
| Charges for services | 113,186 | 113,186 | 125,944 | 12,758 |
| Interest income | 1,600 | 1,600 | 10,722 | 9,122 |
| Miscellaneous income | - | 1,430 | 1,430 | - |
| Total revenues | <u>1,179,125</u> | <u>1,180,555</u> | <u>1,358,823</u> | <u>178,268</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 317,930 | 317,930 | 231,746 | 86,184 |
| Physical environment: | | | | |
| Drainage | 340,771 | 335,840 | 351,921 | (16,081) |
| Mosquito control | 36,476 | 36,476 | 22,993 | 13,483 |
| Transportation: | | | | |
| Street lighting | 106,500 | 106,500 | 115,591 | (9,091) |
| Parks and recreation | 182,898 | 182,898 | 164,209 | 18,689 |
| Debt Service: | | | | |
| Principal | 87,740 | 87,740 | 90,573 | (2,833) |
| Interest | 17,500 | 17,500 | 18,947 | (1,447) |
| Capital outlay | 115,500 | 131,540 | 43,713 | 87,827 |
| Total expenditures | <u>1,205,315</u> | <u>1,216,424</u> | <u>1,039,693</u> | <u>176,731</u> |
| Excess (deficiency) of revenues over (under) expenditures | (26,190) | (35,869) | 319,130 | 354,999 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer in | 6,190 | 6,190 | 6,190 | - |
| Proceeds from sale of capital assets | - | - | 271,155 | 271,155 |
| Use of fund balance | 20,000 | 29,679 | - | (29,679) |
| Total other financing sources and (uses) | <u>26,190</u> | <u>35,869</u> | <u>277,345</u> | <u>241,476</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | 596,475 | <u>\$ 596,475</u> |
| Fund balance - beginning | | | <u>1,542,857</u> | |
| Fund balance - ending | | | | <u>\$ 2,139,332</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, 2022 was amended to increase revenues, appropriations, and use of fund balance by \$1,430, \$11,109, and \$9,679, respectively. Actual general fund expenditures for the fiscal year ended September 30, 2022 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 9/30/2022 | 16 |
| Number of independent contractors compensated in September 2022 | 2 |
| Employee compensation for FYE 9/30/2022 (paid/accrued) | \$757,378.41 |
| Independent contractor compensation for FYE 9/30/2022 | \$6,900 |
| Construction projects to begin on or after October 1; (>\$65K) | Not applicable |
| Budget variance report | See page 32 |
| Ad Valorem taxes; | Not applicable |
| Millage rate FYE 9/30/2022 | Not applicable |
| Ad valorem taxes collected FYE 9/30/2022 | Not applicable |
| Outstanding Bonds: | Not applicable |
| | |
| Non ad valorem special assessments; | |
| Special assessment rate FYE 9/30/2022 | Operations and maintenance - \$285.42 |
| Special assessments collected FYE 9/30/2022 | \$1,199,965 |



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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated April 18, 2023.

Report on 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters involving the internal control over financial reporting and compliance that we have reported to management of the District in a separate letter dated April 18, 2023.

The District's response to the finding identified in our audit is described in the accompanying Management Letter. We did not audit the District's response and, accordingly, we express no opinion on it.

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 *Law & Associates*

April 18, 2023



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

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

Report on Compliance for the Major State Project

We have audited the Spring Lake Improvement District's (the "District") compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on the District's major state project for the fiscal year ended September 30, 2022. The District's major state project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major State Project

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state project for the fiscal year ended September 30, 2022.

Report on Internal Control Over Compliance

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

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

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

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

Bhav & Associates

April 18, 2023

**SPRING LAKE IMPROVEMENT DISTRICT
SEBRING, FLORIDA
SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
FISCAL YEAR ENDED SEPTEMBER 30, 2022**

| State Agency, <i>State Project</i> | CSFA Number | Contract Number | State Appropriation Category | Expenditures |
|---|----------------|--------------------|---------------------------------|---------------------|
| STATE FINANCIAL ASSISTANCE | | | | |
| Florida Department of Environmental Protection | | | | |
| <i>Drinking Water Facility Construction</i> | 37.076 | DW280531 | 140129 | 2,078,107 |
| Total Expenditures of State Financial | | | | <u>\$ 2,078,107</u> |

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

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

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of state financial assistance includes the state revolving loan activity of the Spring Lake Improvement District, Sebring, Florida (the "District") under the state project for the fiscal year ended September 30, 2022. The information in this schedule is presented in accordance with the requirements of Chapter 10.550, Rules of the Auditor General. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**SPRING LAKE IMPROVEMENT DISTRICT
SEBRING, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
STATE PROJECTS
FISCAL YEAR ENDED SEPTEMBER 30, 2022**

A. SUMMARY OF AUDITOR’S RESULTS

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

| State Project | CSFA# |
|--|--------|
| Florida Department of Environmental Protection Drinking Water Facility Construction | 37.076 |

8. The dollar threshold used to distinguish between Type A or Type B for major state projects was \$623,432.

B. FINDINGS –FINANCIAL STATEMENTS AUDIT

See attached Management Letter

C. FINDINGS AND QUESTIONED COSTS – STATE PROJECTS

None

D. OTHER ISSUES

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

E. PRIOR YEAR FINDINGS - MAJOR STATE PROJECTS

Not Applicable



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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, 2022. 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, 2022.

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

Grau & Associates

April 18, 2023



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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, 2022 and have issued our report thereon dated April 18, 2023.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated April 18, 2023, should be considered in conjunction with this management letter.

Purpose of this Letter

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

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

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

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

Grau & Associates

April 18, 2023

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2022-01 Utility Billing Internal Controls

Observation: During our testing, we noted that the rates had not been updated for FY 2022 for mosquito control assessments included on certain utility bills. In addition, certain commercial sewer usage inclusion amounts based on meter size was not clearly included on the approved rate schedule.

Recommendation: The District should implement control procedures to review and ensure that all rates are appropriately updated. In addition, the District should consider clarifying its rate schedule to reflect all usage inclusion, including those based of various meter sizes.

Management Response: Staff will take steps to ensure that all rates are verified in the billing software any time the Board makes any changes to any rates and fees charged. Beginning in FY 2023 the Board elected to bill all costs for Street Lights and Mosquito Control on the District's Special Assessment Tax Bill and these charges no longer appear on the monthly Water billing effective 10-1-2022.

II. PRIOR YEAR FINDINGS

2021-01 Purchasing Internal Controls

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, 2021, 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, 2022, 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, 2022.

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, 2022. 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.

REPORT TO MANAGEMENT (Continued)

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 34.