

**ST. LUCIE WEST SERVICES DISTRICT  
ST. LUCIE COUNTY, FLORIDA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2011**

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

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**Grau & Associates**  
CERTIFIED PUBLIC ACCOUNTANTS

2700 North Military Trail • Suite 350  
Boca Raton, Florida 33431  
(561) 994-9299 • (800) 299-4728  
Fax (561) 994-5823  
www.graucpa.com

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of St. Lucie West Services District, St. Lucie County, Florida (the "District") as of and for the fiscal year ended September 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of September 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2012, 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, agreements, and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Grau & Associates*  
May 23, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of St. Lucie West Services District, St. Lucie County, Florida's ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2011. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements themselves.

### FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year resulting in a net asset balance of \$43,871,330.
- The change in the District's total net assets in comparison with the prior fiscal year was \$1,046,638, an increase. The key components of the District's net assets and change in net assets are reflected in the table in the government-wide financial analysis section.
- At September 30, 2011, the District's governmental funds reported combined ending fund balances of \$6,110,186 an increase of \$99,698 in comparison with the prior year. The majority of the fund balance is restricted for debt service and capital projects, non-spendable for prepaid items, 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 assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 (management), and physical environment. The business-type activities of the District include the Utility (water and sewer) operation.

## OVERVIEW OF FINANCIAL STATEMENTS (Continued)

### Fund Financial Statements

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

### Governmental Funds

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

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

The District maintains four governmental funds for external reporting. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, water management 2010 debt service, and water management 2010 capital projects funds, all of which are considered to be major funds; and the Cascades 2010 debt service fund which is considered to be a non-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.

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

### Proprietary Fund

The District maintains one type of proprietary fund, an enterprise fund. An enterprise fund is used to report the same function presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for the operations of the water and sewer utility services within the District.

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

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

	NET ASSETS SEPTEMBER 30,					
	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 4,330,472	\$ 3,695,356	\$ 2,098,434	\$ 3,900,686	\$ 6,428,906	\$ 7,596,042
Restricted assets	3,582,534	3,839,476	16,608,581	13,752,584	20,191,115	17,592,060
Capital assets, net of depreciation	43,640,162	44,477,505	31,501,431	32,435,404	75,141,593	76,912,909
Total assets	51,553,168	52,012,337	50,208,446	50,088,674	101,761,614	102,101,011
Current liabilities	786,523	605,821	1,428,013	1,503,435	2,214,536	2,109,256
Long-term liabilities	19,814,640	20,827,054	35,861,108	36,340,009	55,675,748	57,167,063
Total liabilities	20,601,163	21,432,875	37,289,121	37,843,444	57,890,284	59,276,319
Net assets						
Invested in capital assets, net of related debt	27,050,373	27,316,729	(3,219,460)	(2,714,765)	23,830,913	24,601,964
Restricted	901,984	856,637	14,848,131	14,302,584	15,750,115	15,159,221
Unrestricted	2,999,648	2,406,096	1,290,654	657,411	4,290,302	3,063,507
Total net assets	\$ 30,952,005	\$ 30,579,462	\$ 12,919,325	\$ 12,245,230	\$ 43,871,330	\$ 42,824,692

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

The restricted portion represents funds set aside for bond covenants, capital projects and for renewal and replacement projects. Restrictions are made by enabling legislation for future capital renewal and replacement and expansion.

The results of this year's operations for the District as a whole are reported in the statement of activities. The net assets of the District's governmental activities increased \$372,543 and the net assets of the business-type activities increased \$674,095 in comparison with the prior year.

### Governmental activities

As noted below, and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2011 was \$ 4,975,504. As in the prior year, the majority of the costs of the District's governmental activities were paid by program revenues. Program revenues consisted primarily of assessments for the current and prior year.

### Business-type activities

Business-type activities reflect the operations of the water and sewer facilities within the District. The cost of operations is covered primarily by charges to customers. Water and sewer expenses increased slightly from the prior fiscal year.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	CHANGES IN NET ASSETS					
	FOR THE FISCAL YEAR ENDED SEPTEMBER 30,					
	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 5,320,172	\$ 5,630,032	\$ 8,615,915	\$ 8,730,804	\$ 13,936,087	\$ 14,360,836
General revenues:						
Investment earnings	8,597	19,665	34,478	179,006	43,075	198,671
Other	19,278	14,253	20,789	17,884	40,067	32,137
Loss on sale of assets	-	-	(84,888)	-	(84,888)	-
Transfers	-	437,753	-	(437,753)	-	-
Total revenues	5,348,047	6,101,703	8,586,294	8,489,941	13,934,341	14,591,644
Expenses:						
Governmental activities:						
General government	919,510	2,117,119	-	-	919,510	2,117,119
Physical environment	2,653,795	1,334,768	-	-	2,653,795	1,334,768
Interest	1,402,199	1,128,564	-	-	1,402,199	1,128,564
Business - type activities:						
Water and sewer utilities	-	-	5,802,246	5,726,819	5,802,246	5,726,819
Interest	-	-	2,109,953	2,139,113	2,109,953	2,139,113
Total expenses	4,975,504	4,580,451	7,912,199	7,865,932	12,887,703	12,446,383
Change in net assets	372,543	1,521,252	674,095	624,009	1,046,638	2,145,261
Net assets, beginning	30,579,462	29,058,210	12,245,230	11,621,221	42,824,692	40,679,431
Net assets, ending	\$ 30,952,005	\$ 30,579,462	\$ 12,919,325	\$ 12,245,230	\$ 43,871,330	\$ 42,824,692

## GENERAL FUND BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The general fund budget for the fiscal year ended September 30, 2011 was amended to increase revenues by \$88,451 and decrease appropriations by \$69,653. The increase in revenues is primarily the result of greater than anticipated assessments being collected due to fewer people taking advantage of the discount for early payment than expected and the decrease in appropriations is primarily due to originally budgeted costs which were not incurred. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2011.

The variance between budgeted and actual general fund revenues for the current fiscal year was not considered significant. The actual general fund expenditures for the current fiscal year were lower than budgeted amounts primarily to anticipated costs which were not incurred.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At September 30, 2011, the District had \$63,048,300 invested in construction in progress, infrastructure, buildings and equipment and furniture, for its governmental activities. In the government-wide financial statements depreciation of \$19,408,138 has been taken, which resulted in a net book value of \$43,640,162. The District's business-type activities reported net capital assets of \$31,501,430. More detailed information about the District's capital assets is presented in the notes of the financial statements.

### Capital Debt

At September 30, 2011, the District had \$23,020,000 Bonds outstanding for its governmental activities. For business-type activities, the District had Bonds outstanding of \$36,600,000. More detailed information about the District's capital debt is presented in the notes of the financial statements.

## ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND OTHER EVENTS

The District anticipates new challenges due to the current economy while the next year budget continues with the five year forecasting of the District's financial needs. The District anticipates that the general operations will remain fairly constant. For the utility operations, the number of ERU's is expected to remain the same in the fiscal year 2012. With no rate adjustment budgeted, the District expects revenues in most categories to remain the same per year for each of the next five years.

The District has a five year Capital Improvement Plan and additional revenues are needed to fund these projects through the District's utility system. The District is in the process of completing a Revenue Sufficiency Analysis to aid in the adoption of rate increases in the upcoming years.

Subsequent to September 30, 2011, the District issued \$24,000,000 Utility Revenue Refunding Bonds, Series 2011.

### Contacting the District's Financial Management

This financial report is designed to provide our citizens, land owners, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the St. Lucie West Services District's management services at Special District Services, Inc., 2501A Burns Road, Palm Beach Gardens, Florida 33410.



**ST. LUCIE WEST SERVICES DISTRICT  
ST. LUCIE COUNTY, FLORIDA  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2011**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,707,258	\$ -	\$ 2,707,258
Restricted assets:			
Cash and cash equivalents	5,818	16,608,581	16,614,399
Investments	3,576,716	-	3,576,716
Accounts receivable, net	4,787	1,065,373	1,070,160
Assessments receivable	35,588	-	35,588
Due from other governmental units	181,926	-	181,926
Internal balances	158,768	(158,768)	-
Prepaid items	1,000	46,877	47,877
Other current assets	-	4,735	4,735
Deferred charges	1,241,145	1,140,217	2,381,362
Capital assets:			
Nondepreciable	453,173	1,811,498	2,264,671
Depreciable, net	43,186,989	29,689,933	72,876,922
Total assets	<u>51,553,168</u>	<u>50,208,446</u>	<u>101,761,614</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	288,197	183,483	471,680
Accrued interest payable	411,561	1,055,246	1,466,807
Customer deposits	86,765	189,284	276,049
Noncurrent liabilities:			
Due within one year	1,310,000	575,000	1,885,000
Due in more than one year	<u>18,504,640</u>	<u>35,286,108</u>	<u>53,790,748</u>
Total liabilities	<u>20,601,163</u>	<u>37,289,121</u>	<u>57,890,284</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	27,050,373	(3,219,460)	23,830,913
Restricted for:			
Debt service	901,984	7,824,189	8,726,173
Capital projects	-	6,101,261	6,101,261
Renewal and replacement	-	922,681	922,681
Unrestricted	<u>2,999,648</u>	<u>1,290,654</u>	<u>4,290,302</u>
Total net assets	<u>\$ 30,952,005</u>	<u>\$ 12,919,325</u>	<u>\$ 43,871,330</u>

See notes to the financial statements

**ST. LUCIE WEST SERVICES DISTRICT  
ST. LUCIE COUNTY, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Governmental Activities	Business-type Activities	
Primary government:					
Governmental activities:					
General government	\$ 919,510	\$ 919,510	\$ -	\$ -	\$ -
Maintenance and operations	2,653,795	2,040,233	(613,562)	-	(613,562)
Interest on long-term debt	1,402,199	2,360,429	958,230	-	958,230
Total governmental activities	<u>4,975,504</u>	<u>5,320,172</u>	<u>344,668</u>		<u>344,668</u>
Business-type activities:					
Water and sewer utilities	5,802,246	6,505,962	-	703,716	703,716
Interest on long-term debt	2,109,953	2,109,953	-	-	-
Total business-type activities	<u>7,912,199</u>	<u>8,615,915</u>	<u>-</u>	<u>703,716</u>	<u>703,716</u>
Total	<u>12,887,703</u>	<u>13,936,087</u>	<u>344,668</u>	<u>703,716</u>	<u>1,048,384</u>
General revenues:					
Investment earnings			8,597	34,478	43,075
Miscellaneous			19,278	20,789	40,067
Loss on sale of assets			-	(84,888)	(84,888)
Total general revenues			<u>27,875</u>	<u>(29,621)</u>	<u>(1,746)</u>
Change in net assets			372,543	674,095	1,046,638
Net assets - beginning			30,579,462	12,245,230	42,824,692
Net assets - ending			<u>\$ 30,952,005</u>	<u>\$ 12,919,325</u>	<u>\$ 43,871,330</u>

See notes to the financial statements

**ST. LUCIE WEST SERVICES DISTRICT  
ST. LUCIE COUNTY, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2011**

	Major Funds			Nonmajor	
	General	Debt Service	Water Management 2010 Capital Projects	Cascades 2010 Debt Service	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,707,258	\$ -	\$ -	\$ -	\$ 2,707,258
Accounts receivable	4,787	-	-	-	4,787
Assessments receivable	11,248	22,324	-	2,016	35,588
Due from other funds	301,325	-	-	-	301,325
Due from other governmental units	181,926	-	-	-	181,926
Prepaid items	1,000	-	-	-	1,000
Restricted assets:					
Cash and cash equivalents	5,818	-	-	-	5,818
Investments	-	1,244,641	2,243,852	88,223	3,576,716
Total assets	<u>\$ 3,213,362</u>	<u>\$ 1,266,965</u>	<u>\$ 2,243,852</u>	<u>\$ 90,239</u>	<u>\$ 6,814,418</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued expenses	\$ 115,904	\$ -	\$ 172,293	\$ -	\$ 288,197
Due to other funds	-	29,267	98,898	14,392	142,557
Deposits	86,765	-	-	-	86,765
Deferred revenue	186,713	-	-	-	186,713
Total liabilities	<u>389,382</u>	<u>29,267</u>	<u>271,191</u>	<u>14,392</u>	<u>704,232</u>
Fund balances:					
Nonspendable:					
Prepaid items	1,000	-	-	-	1,000
Restricted for:					
Debt service	-	1,237,698	-	75,847	1,313,545
Capital projects	-	-	1,972,661	-	1,972,661
Unassigned	2,822,980	-	-	-	2,822,980
Total fund balances	<u>2,823,980</u>	<u>1,237,698</u>	<u>1,972,661</u>	<u>75,847</u>	<u>6,110,186</u>
Total liabilities and fund balances	<u>\$ 3,213,362</u>	<u>\$ 1,266,965</u>	<u>\$ 2,243,852</u>	<u>\$ 90,239</u>	<u>\$ 6,814,418</u>

See notes to the financial statements

**ST. LUCIE WEST SERVICES DISTRICT  
ST. LUCIE COUNTY, FLORIDA  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS  
TO STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2011**

Fund balance - governmental funds \$ 6,110,186

Amounts reported for governmental activities in the statement of net assets 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 assets includes those capital assets, net of any accumulated depreciation, in the net assets of the government as a whole.

Cost of capital assets	63,048,300	
Accumulated depreciation	<u>(19,408,138)</u>	43,640,162

Assets that are not available to pay for current-period expenditures are deferred in the fund statements.		186,713
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Bond issuance costs are not financial resources and, therefore are not reported as assets in the governmental funds. The statements of net assets includes these costs, net of amortization.

Bond issuance costs	1,432,873	
Accumulated amortization	<u>(191,728)</u>	1,241,145

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

Accrued interest payable	(411,561)	
Bonds payable	(23,020,000)	
Bond discounts	218,564	
Deferred amount on refunding	2,997,841	
Compensated absences	<u>(11,045)</u>	<u>(20,226,201)</u>

Net assets of governmental activities		<u><u>\$ 30,952,005</u></u>
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See notes to the financial statements

**ST. LUCIE WEST SERVICES DISTRICT  
ST. LUCIE COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	Major Funds			Nonmajor	
	General	Water Management 2010 Debt Service	Water Management 2010 Capital Projects	Cascades 2010 Debt Service	Total Governmental Funds
<b>REVENUES</b>					
Special assessments	\$ 1,092,072	\$ 2,162,457	\$ -	\$ 197,972	\$ 3,452,501
Stormwater fees	1,697,564	-	-	-	1,697,564
Investment earnings	2,183	2,649	3,530	235	8,597
Miscellaneous	19,278	-	-	-	19,278
Total revenues	<u>2,811,097</u>	<u>2,165,106</u>	<u>3,530</u>	<u>198,207</u>	<u>5,177,940</u>
<b>EXPENDITURES</b>					
Current:					
General government	835,822	-	-	-	835,822
Maintenance and operations	1,330,419	-	-	-	1,330,419
Debt service:					
Interest expense	-	982,369	-	51,975	1,034,344
Principal expense	-	1,115,000	-	145,000	1,260,000
Other costs		41,560	-	5,593	47,153
Capital outlay	210,366	-	360,138	-	570,504
Total expenditures	<u>2,376,607</u>	<u>2,138,929</u>	<u>360,138</u>	<u>202,568</u>	<u>5,078,242</u>
Excess (deficiency) of revenues over (under) expenditures	434,490	26,177	(356,608)	(4,361)	99,698
Fund balances - beginning	<u>2,389,490</u>	<u>1,211,521</u>	<u>2,329,269</u>	<u>80,208</u>	<u>6,010,488</u>
Fund balances - ending	<u>\$ 2,823,980</u>	<u>\$ 1,237,698</u>	<u>\$ 1,972,661</u>	<u>\$ 75,847</u>	<u>\$ 6,110,186</u>

See notes to the financial statements

**ST. LUCIE WEST SERVICES DISTRICT  
ST. LUCIE COUNTY, FLORIDA  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

Net change in fund balances - total governmental funds	\$ 99,698
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures, however, the cost of capital assets is eliminated in the statement of activities and capitalized in the statement of net assets.	570,504
Depreciation of capital assets is not recognized in the governmental fund statements but is reported as an expense in the statement of activities.	(1,407,847)
Revenues in the statement of activities that do not provide current financial resources are deferred and not reported as revenues in the fund financial statements.	170,107
Amortization of deferred charges is not recognized in the governmental fund statement, but is reported as an expense in the statement of activities.	(344,233)
Repayment of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the statement of net assets and are eliminated in the statement of activities.	1,260,000
Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore, are not reported as expenditures in governmental funds.	
Change in compensated absences	783
Change in accrued interest	23,531
Change in net assets of governmental activities	<u>\$ 372,543</u>

See notes to the financial statements

**ST. LUCIE WEST SERVICES DISTRICT  
ST. LUCIE COUNTY, FLORIDA  
STATEMENT OF NET ASSETS - PROPRIETARY FUND  
SEPTEMBER 30, 2011**

	<u>Water and Sewer Utility</u>
<b>ASSETS</b>	
Current assets:	
Unrestricted:	
Accounts receivable, net of allowance for uncollectibles	\$ 1,065,373
Prepaid expenses	46,877
Other	4,735
Restricted:	
Cash and cash equivalents	16,608,581
Total current assets	<u>17,725,566</u>
Noncurrent assets:	
Deferred charges	1,140,217
Capital assets:	
Land	1,200,000
Building	225,216
Construction in progress	611,498
Infrastructure	42,463,320
Equipment and furniture	1,966,069
Less accumulated depreciation	<u>(14,964,672)</u>
Total capital assets, net of accumulated depreciation	<u>31,501,431</u>
Total noncurrent assets	<u>32,641,648</u>
Total assets	<u>50,367,214</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued expenses	183,483
Due to other funds	158,768
Liabilities payable from restricted assets:	
Customer deposits	189,284
Current portion of long-term debt	575,000
Interest payable	1,055,246
Total current liabilities	<u>2,161,781</u>
Noncurrent liabilities:	
Long-term debt	<u>35,286,108</u>
Total noncurrent liabilities	<u>35,286,108</u>
Total liabilities	<u>37,447,889</u>
<b>NET ASSETS</b>	
Invested in capital assets	(3,219,460)
Restricted for:	
Debt service	7,824,189
Capital projects	6,101,261
Renewal and replacement	922,681
Unrestricted	<u>1,290,654</u>
Total net assets	<u>12,919,325</u>
Total net assets and liabilities	<u>\$ 50,367,214</u>

See notes to the financial statements

**ST. LUCIE WEST SERVICES DISTRICT  
ST. LUCIE COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
NET ASSETS - PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	<u>Water and Sewer Utility</u>
<b>OPERATING REVENUES</b>	
Charges for sales and services:	
Charges for water and sewer services	\$ 8,099,804
Late fees	27,285
Bulk water sales	464,957
Other	23,869
Total operating revenues	<u>8,615,915</u>
<b>OPERATING EXPENSES</b>	
Personnel services	1,772,680
Contractual services	528,685
Water and sewer operations	1,878,653
Repairs and maintenance	193,553
Rent and leases	5,615
Depreciation	1,316,641
Amortization	106,419
Total operating expense	<u>5,802,246</u>
Operating income (loss)	<u>2,813,669</u>
<b>NON OPERATING REVENUES (EXPENSES)</b>	
Gain (loss) on disposal of capital assets	(84,888)
Impact fees	20,789
Interest revenue	34,478
Interest expense	(2,109,953)
Total non operating revenue (expenses)	<u>(2,139,574)</u>
Change in net assets	674,095
Total net assets - beginning	<u>12,245,230</u>
Total net assets - ending	<u><u>\$ 12,919,325</u></u>

See notes to the financial statements



**ST. LUCIE WEST SERVICES DISTRICT  
ST. LUCIE COUNTY, FLORIDA  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	<u>Water and Sewer Utility</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 8,403,892
Payments to suppliers of goods and services	<u>(4,240,499)</u>
Net cash provided (used) by operating activities	<u>4,163,393</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Due from/to other funds	<u>(100,743)</u>
Net cash provided (used) by noncapital financing activities	<u>(100,743)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Impact fees	20,789
Purchases of capital assets	(504,672)
Principal paid on debt	(550,000)
Interest paid on debt	(2,124,263)
Proceeds from sale of capital assets	<u>37,116</u>
Net cash provided (used) by capital and related financing activities	<u>(3,121,030)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of investments	5,941,888
Interest earnings	<u>34,478</u>
Net cash provided (used) by investing activities	<u>5,976,366</u>
Net increase (decrease) in cash and cash equivalents	6,917,986
Cash and cash equivalents - October 1	<u>9,690,595</u>
Cash and cash equivalents - September 30	<u><u>\$16,608,581</u></u>

**(Continued)**

**ST. LUCIE WEST SERVICES DISTRICT  
ST. LUCIE COUNTY, FLORIDA  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011  
(Continued)**

	<u>Water and Sewer Utility</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ 2,813,669
Adjustments to reconcile operating income (loss) to net cash provided (used) by Operating Activities:	
Depreciation and amortization	1,423,060
(Increase)/Decrease in:	
Accounts receivables	(186,552)
Prepays and deposits	160,025
Increase/(Decrease) in:	
Accounts payable and accrued expenses	(21,338)
Customer deposits	(25,471)
Total adjustments	<u>1,349,724</u>
Net cash provided (used) by operating activities	<u>\$ 4,163,393</u>

See notes to the financial statements

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

**NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY**

St. Lucie West Services District (the "District") was created on November 21, 1989, pursuant to Chapter 190.005, Florida Statutes by which Florida Land and Water Adjudicatory Commission granted the petition of the original development corporation and adopted Rules 42-I.001, I.002, and I.003, establishing the St. Lucie West Services District. The District was established for the purpose of, among other things, construction of and/or acquiring water management and control, water supply, sewer, wastewater management, bridges or culverts, District roads, parks and recreational facilities, security facilities, control and elimination of mosquitoes and other arthropods and landscaping related to recreational amenities, roads, and surface water management, and related improvements located within and/or without the boundaries of St. Lucie West Services District. The District is governed by a five-member Board of Supervisors, whose members are elected on a rotating basis for terms of four years. The District was created under Chapter 190 of the Florida Statutes and operates within the criteria established by Chapter 190.

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Supervisors are elected by the landowners and qualified electors residing within the District. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Florida Statutes.

The Board has the final responsibility for:

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

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement 14, and Statement 39, an amendment of GASB Statement 14. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District Board of Supervisors 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 assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by assessments and general revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Government-Wide and Fund Financial Statements (Continued)**

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

Separate financial statements are provided for governmental funds and proprietary funds. The major governmental and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

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

### **Assessments**

Assessments are non-ad valorem assessments on certain land and all platted lots within the District. Assessments are levied each November 1 on property of record as of the previous January. The fiscal year for which annual assessments are levied begins on October 1 with discounts available for payments through February 28 and become delinquent on April 1. For debt service assessments, amounts collected as advance payments are used to prepay a portion of the Bonds outstanding. Otherwise, assessments are collected annually to provide funds for the debt service on the portion of the Bonds which are not paid with prepaid assessments.

Assessments, stormwater fees, licenses and permits, grant revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized in revenues for the current period. All other revenue items are considered to be measurable and available only when cash is received by the District.

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.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

#### Water Management 2010 Debt Service Fund

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

#### Water Management 2010 Capital Project Fund

These funds account for the financial resources to be used for the acquisition or construction of capital improvements within the District.

The District reports the following nonmajor governmental funds:

#### Cascades 2010 Debt Service Fund

The debt service fund is used to account for the accumulation of resources for the annual payment of principal and interest on long-term debt, which was used to finance the 1998 Cascades capital projects.

The District reports the following major proprietary funds:

#### Water and Sewer Fund

This enterprise fund is used to account for the operations of the water and sewer utility services within the District. The costs of providing services to the residents are recovered primarily through user fees, meter fees and connection fees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The District has elected not to apply subsequent private-sector guidance.

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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are internal receivable and payable balances between governmental and business-type activities.

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

### **Assets, Liabilities and Net Assets or Equity**

#### Restricted Assets

Restricted assets in the enterprise funds consist of water and sewer impact fees and other net assets for renewal, replacement and improvements which have been restricted by enabling legislation. Restricted assets in the governmental funds consist of funds set aside to comply with note covenants or other contractual restrictions.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Assets, Liabilities and Net Assets or Equity (Continued)

#### Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits. The District considered highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

The District has adopted a written investment policy. The policy includes, among other things, the types of investments which are permitted. According to the policy, the investment portfolio shall remain sufficiently liquid to meet operating requirements that may be reasonably anticipated. In addition, the core of the investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

The District records all interest revenue related to investment activities in the respective funds and reports investments at fair value.

#### 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.

#### Receivables and Payables

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

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

#### Capital Assets

Capital assets, which include property, water and sewer improvements, machinery and equipment and infrastructure (roads, sidewalks, etc.) are reported in the applicable governmental or business-type activities. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Infrastructure	10 – 50
Equipment	5 – 30

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Assets, Liabilities and Net Assets or Equity (Continued)**

#### Capital Assets (Continued)

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

#### 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 assets. Note premiums and discounts, as well as issuance costs, are deferred and amortized ratably over the life of the Notes. Notes payable are reported net of premiums or discounts.

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

#### Deferred Charges

In connection with the issuance of certain debt, the District incurred costs of approximately \$2,117,000 that are being amortized over the estimated life of the Bonds. At September 30, 2011, the District reported accumulated amortization of approximately \$876,000. For the District's business-type activities, the District incurred costs totaling approximately \$1,905,000 with accumulated amortization of \$765,000. In addition, Bond discounts on the debt are being amortized over the life of the respective Bonds. At September 30, 2011, the District's Bonds payable are reported net of unamortized discounts of \$218,564 and \$160,271 for its governmental activities and business-type activities, respectively.

#### Deferred Amount on Refunding

For current and advance refunding of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized using the straight line method over the remaining life of the old debt or the life of the new debt, whichever is shorter. The deferred amount is offset against the new liability.

#### Compensated Absences

It is the District's policy to permit employees to accumulate, within certain limits, earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. However, employees will be paid for any unused accrued vacation time up to 50% maximum cumulative deferred hours within certain ranges upon termination of employment. Compensated absences are reported as accrued in the government-wide financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees which are included in wages payable, if any. Proprietary funds report the liability as it is incurred.

#### Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Assets, Liabilities and Net Assets or Equity (Continued)

#### Fund Equity/Net Assets

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. Under GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances are required to be reported according to the following classifications:

Non-spendable fund balance – Amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. “Not in spendable form” includes items that are not expected to be converted to cash (such as inventories and prepaid amounts) and items such as long-term amount of loans and notes receivable, as well as property acquired for resale. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

Restricted fund balance – Amounts that can be spent only for specific purposes stipulated by (a) external resource providers such as creditors (by debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

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.

Unassigned fund balance – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

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 assets in the government-wide financial statements are categorized as invested in capital assets, net of related debt, restricted or unrestricted. Invested in capital assets, net of related debt represents net assets related to infrastructure and property, plant and equipment, net of accumulated depreciation, and net of any related debt. Restricted net assets represent the assets restricted by the District’s Bond covenants or other contractual restrictions.



## 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.

## NOTE 3 – BUDGETARY INFORMATION

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

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

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

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

## NOTE 4 – CASH AND INVESTMENTS

### Cash

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, 2011:

	Fair Value	Credit Risk	Maturities
US Bank Commercial Paper manual sweep	\$ 3,576,716	A-1	N/A
Total Investments	<u>\$ 3,576,716</u>		

#### NOTE 4 – CASH AND INVESTMENTS (Continued)

##### Investments (Continued)

*Custodial credit risk* – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The District has no formal policy for custodial risk. The District's investments are held by the trustee or agent but not in the District's name.

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

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

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

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

#### NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at September 30, 2011 were as follows:

Governmental Funds	Receivable	Payable
General	\$ 301,325	\$ -
Debt service		29,267
Debt service (Cascades)		14,392
Capital projects		98,898
Proprietary Funds		
Water and sewer		158,768
Total	<u>\$ 301,325</u>	<u>\$ 301,325</u>

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

#### NOTE 6 – RECEIVABLES

Revenues in the water and sewer fund are reported net of uncollectible amounts. Total accounts receivable and uncollectible amounts at September 30, 2011 are as follows:

Gross billed accounts receivable	\$ 498,335
Gross unbilled accounts receivable	696,038
Uncollectibles	<u>(129,000)</u>
Net receivable	<u>\$ 1,065,373</u>

## NOTE 7 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2011 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Construction in progress	\$ 534,474	\$ 540,216	\$ (621,517)	\$ 453,173
Total capital assets, not being depreciated	<u>534,474</u>	<u>540,216</u>	<u>(621,517)</u>	<u>453,173</u>
Capital assets, being depreciated				
Buildings	-	221,076	-	221,076
Infrastructure	60,717,114	400,441	-	61,117,555
Equipment and furniture	1,241,302	30,288	(15,094)	1,256,496
Total capital assets, being depreciated	<u>61,958,416</u>	<u>651,805</u>	<u>(15,094)</u>	<u>62,595,127</u>
Less accumulated depreciation for:				
Buildings	-	(1,842)	-	(1,842)
Infrastructure	(17,185,442)	(1,319,632)	-	(18,505,074)
Equipment and furniture	(829,943)	(86,373)	15,094	(901,222)
Total accumulated depreciation	<u>(18,015,385)</u>	<u>(1,407,847)</u>	<u>15,094</u>	<u>(19,408,138)</u>
Total capital assets, being depreciated, net	<u>43,943,031</u>	<u>(756,042)</u>	<u>-</u>	<u>43,186,989</u>
Governmental activities capital assets, net	<u>\$ 44,477,505</u>	<u>\$ (215,826)</u>	<u>\$ (621,517)</u>	<u>\$ 43,640,162</u>

Depreciation expense was charged to function/programs as follows:

General government	\$ 84,471
Maintenance and operations	<u>1,323,376</u>
	<u>\$ 1,407,847</u>

## NOTE 7 – CAPITAL ASSETS (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Business-type Activities</u>				
Capital assets, not being depreciated				
Land	\$ 1,200,000	\$ -	\$ -	\$ 1,200,000
Construction in progress	2,908,479	461,394	(2,758,375)	611,498
Total capital assets, not being depreciated	4,108,479	461,394	(2,758,375)	1,811,498
Capital assets, being depreciated				
Buildings	-	225,216	-	225,216
Infrastructure/Improvements	40,568,750	2,257,556	(362,986)	42,463,320
Equipment and furniture	1,647,188	318,881	-	1,966,069
Total capital assets, being depreciated	42,215,938	2,801,653	(362,986)	44,654,605
Less accumulated depreciation for:				
Buildings	-	(6,276)	-	(6,276)
Infrastructure/Improvements	(13,134,387)	(1,155,189)	240,982	(14,048,594)
Equipment and furniture	(754,626)	(155,176)	-	(909,802)
Total accumulated depreciation	(13,889,013)	(1,316,641)	240,982	(14,964,672)
Total capital assets, being depreciated, net	28,326,925	1,485,012	(122,004)	29,689,933
Business-type activities capital assets, net	\$ 32,435,404	\$ 1,946,406	\$ (2,880,379)	\$ 31,501,431

## NOTE 8 – LONG-TERM LIABILITIES

### Series 2000

On February 1, 2000, the District issued \$28,465,000 of Utility Revenue Bonds, Series 2000 (Senior Lien) due in annual principal installment through October 2032 with interest at varying rates of 4.9% to 6.125%. Interest is to be paid semiannually on each April 1 and October 1.

The Series 2000 Bonds are subject to redemption at the option of the District prior to their maturity. The Bonds are subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture. The Bond Indenture also established a debt service reserve requirement as well as other restrictions. The District was in compliance with the requirements at September 30, 2011.

### Series 2004

On July 15, 2004, the District issued \$11,445,000 of Utility Revenue Bonds, Series 2004, which consist of \$3,440,000 Term Bonds due \$1,675,000 and \$1,765,000 in October 1, 2033 and 2034, respectively, with a fixed interest rate of 5.25% and \$8,005,000 Term Bonds due annually starting October 1, 2035 through October 1, 2038 with a fixed interest rate of 5%. Interest is to be paid semiannually on each April 1 and October 1.

The Series 2004 Bonds are subject to redemption at the option of the District prior to their maturity. The Bonds are subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture. The Bond Indenture also established a debt service reserve requirement as well as other restrictions. The District was in compliance with the requirements at September 30, 2011.

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

### **Series 2010**

On March 1, 2010, the District issued \$23,680,000 of Water Management Benefit Special Assessment Refunding Bonds, Series 2010 due on May 1, 2025 with a fixed interest rate of 4.22%. Interest is to be paid semiannually on each May 1 and November 1. Principal on the Bonds is to be paid serially commencing May 1, 2010 through May 1, 2025.

The Series 2010 Bonds are subject to redemption at the option of the District prior to their maturity. The Bonds are subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture.

The Bond Indenture established a debt service reserve requirement as well as other restrictions. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District was in compliance with the requirements at September 30, 2011.

The Series 2010 Bonds were issued for a current refunding of the Water Management Benefit Special Assessment Bonds, Series 1999A and 1999B. The refunding was undertaken to reduce total future debt service payments. The Series 2010 refunding deferred amount along with the previous refunding deferred amount, totaling \$3,432,131, is being netted against the new debt and will be amortized over the life of the Bonds. There is no difference in the remaining life of the refunded Bonds and the new Bonds. Accumulated amortization of the deferred amount is \$434,290 at September 30, 2011.

### **Cascades Series 2010**

On April 21, 2010, the District issued \$1,320,000 of Cascades Capital Improvement Revenue Refunding Bonds, Series 2010 due on May 1, 2018 with a fixed interest rate of 3.78%. Interest is to be paid semiannually on each May 1 and November 1. Principal on the Bonds is to be paid serially commencing May 1, 2011 through May 1, 2018.

The Cascades Series 2010 Bonds are subject to redemption at the option of the District prior to their maturity. The Bonds are subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture.

The Bond Indenture established a debt service reserve requirement as well as other restrictions. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District was in compliance with the requirements at September 30, 2011.

The Bonds were issued for a current refunding of the Cascades Capital Improvement Bonds, Series 1998. The refunding was undertaken to reduce total future debt service payments. The price of the new debt exceeded the net carrying amount of the old debt by \$54,256. This amount is being netted against the new debt and will be amortized over the life of the Bonds. There is no difference in the remaining life of the refunded Bonds and the new Bonds. Accumulated amortization of the deferred amount is \$12,056 at September 30, 2011.

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

Changes in long-term liability activity for the fiscal year ended September 30, 2011 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2010	\$ 22,960,000	\$ -	\$ (1,115,000)	\$ 21,845,000	\$ 1,160,000
Series 2010 (Cascades)	1,320,000	-	(145,000)	1,175,000	150,000
Less: bond discounts	(249,788)	-	31,224	(218,564)	-
Less: deferred amount on refunding	(3,214,986)	-	217,145	(2,997,841)	-
Total bonds payable	20,815,226	-	(1,011,631)	19,803,595	1,310,000
Compensated absences	11,828	20,522	(21,305)	11,045	
Total	\$ 20,827,054	\$ 20,522	\$ (1,032,936)	\$ 19,814,640	\$ 1,310,000
<u>Business-type activities</u>					
Bonds payable:					
Series 2000	\$ 25,705,000	\$ -	\$ (550,000)	\$ 25,155,000	\$ 575,000
Series 2004	11,445,000	-	-	11,445,000	-
Less: bond discounts	(171,457)	-	11,186	(160,271)	-
Less: deferred amount on refunding	(638,534)	-	45,610	(592,924)	-
Total bonds payable	36,340,009	-	(493,204)	35,846,805	575,000
Compensated absences	15,299	26,119	(27,115)	14,303	
Total	\$ 36,355,308	\$ 26,119	\$ (520,319)	\$ 35,861,108	\$ 575,000

At September 30, 2011, the scheduled debt service requirements on the long-term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2012	\$ 1,310,000	\$ 982,379	\$ 2,292,379
2013	1,370,000	924,314	2,294,314
2014	1,430,000	866,388	2,296,388
2015	1,490,000	805,918	2,295,918
2016	1,555,000	744,938	2,299,938
2017-2021	8,240,000	2,692,602	10,932,602
2022-2025	7,625,000	833,511	8,458,511
Total	\$23,020,000	\$ 7,850,050	\$ 30,870,050

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

Year ending September 30:	Business-type Activities		
	Principal	Interest	Total
2012	\$ 575,000	\$ 2,077,575	\$ 2,652,575
2013	610,000	2,040,975	2,650,975
2014	650,000	2,001,975	2,651,975
2015	690,000	1,960,575	2,650,575
2016	730,000	1,916,775	2,646,775
2017-2021	4,360,000	8,829,075	13,189,075
2022-2026	5,835,000	7,245,956	13,080,956
2027-2031	7,850,000	5,103,125	12,953,125
2032-2036	9,150,000	2,483,944	11,633,944
2037-2039	6,150,000	317,500	6,467,500
Total	<u>\$36,600,000</u>	<u>\$ 33,977,475</u>	<u>\$ 70,577,475</u>

**NOTE 9 – INTERLOCAL AGREEMENTS**

The District entered an interconnect agreement with the Reserve Community Development District (“the Reserve”) for the bulk sale of water from the District to the Reserve in 1993. In the agreement, the Reserve shall pay a connection charge of \$1,000 per water ERC, which equals 250 gallons per day, for each unit served through the interconnect. The Reserve shall pay the District a gallonage charge of \$2.07 per 1,000 gallons of water and a base facility charge of \$214 per month. The District later amended the agreement to provide an additional 500,000 gallons per day, representing 2,000 ERC’s of potable water and 400,000 gallons per day, representing 2,000 ERC’s of sanitary sewer services to be phased in over a period not beyond October 1, 2015. During September 30, 2011, the District received \$464,957 from the Reserve for purchases for the water and sewer services.

The District entered an interlocal agreement with the City of Port St. Lucie (the City) for maintenance of the stormwater management system in 1996. The City levies stormwater fees and then charges the District a 25% fee for administrative charges and maintaining main lines for storm runoff and remits the remaining 75% of stormwater fees collected from the District’s residents to the District for maintenance of the stormwater facilities owned by the District. For the year ended September 30, 2011, the City remitted approximately \$1,698,000 stormwater fees to the District.

**NOTE 10 – FEDERAL/STATE GRANTS**

In November 2010, the District entered into a federally funded subgrant agreement with the Florida Division of Emergency Management for a Hazard Mitigation Grant Program project regarding its storm water system drainage project phase I. The project is funded by FEMA through the State. The contract was amended in June 2011 which increased total project cost from \$85,900 to \$172,988, the federal share from 44% to 75%, and the federal funding from \$37,759 to \$129,741. The remainder is the District share. The project was completed in May 2011. The District received grant reimbursement of \$129,741 in February 2012.

On June 23, 2011, the District entered into another grant contract for the same grant program project relating to the District’s storm water system drainage project phase II. The total project cost is \$1,177,012. The federal share is \$882,759, which is 75% of the total project cost. The District share is \$294,253, which is 25% of the total project cost. \$52,185 phase II expenditures subject to grant reimbursement occurred during the fiscal year 2011, \$658,611 phase II expenditures subject to grant reimbursement occurred in the fiscal year 2012.

#### **NOTE 11 – EMPLOYEE PENSION PLAN**

The District has established a Simplified Employee Pension Plan (SEP), which is classified as a defined contribution plan. The District contributed 9% of eligible employees' salaries during the fiscal year ended September 30, 2011. In order to be eligible, an employee must be at least 21 years of age and employed for at least one year.

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

Pension expense was approximately \$77,000 in the general fund and \$98,000 in the water and sewer fund for the fiscal year ended September 30, 2011. The District, at its sole discretion, has the authority to terminate these pension plans; however, the District does not have the intention to do so.

#### **NOTE 12 – MANAGEMENT COMPANY**

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

#### **NOTE 13 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and environmental remediation. 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 commercial insurance coverage over the past three years.

#### **NOTE 14 – CONTINGENCY**

The District is involved in various claims and litigation arising in the ordinary course of operations, none of which, in the opinion of the Board of Supervisors and District Manager, will have a material effect on the District's financial position.

#### **NOTE 15 – SUBSEQUENT EVENTS**

Subsequent to September 30, 2011, the District issued \$24,000,000 Utility Revenue Refunding Bonds, Series 2011 payable in annual principal installments through October 2031 with an initial interest rate of 2.85%. The Series 2011 Bonds were issued for the purpose of refunding and redeeming the Series 2000 Utility Revenue Bonds.



**ST. LUCIE WEST SERVICES DISTRICT  
ST. LUCIE COUNTY, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Assessments	\$ 1,061,496	\$ 1,080,825	\$ 1,092,072	\$ 11,247
Stormwater fees	1,619,591	1,724,897	1,697,564	(27,333)
Interest income	-	-	2,183	2,183
Miscellaneous revenue	41,028	4,844	19,278	14,434
Total revenues	<u>2,722,115</u>	<u>2,810,566</u>	<u>2,811,097</u>	<u>531</u>
<b>EXPENDITURES</b>				
Current:				
General government	874,813	952,787	835,822	116,965
Maintenance and operations	1,501,757	1,361,451	1,330,419	31,032
Capital outlay	227,821	220,500	210,366	10,134
Total expenditures	<u>2,604,391</u>	<u>2,534,738</u>	<u>2,376,607</u>	<u>158,131</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 117,724</u>	<u>\$ 275,828</u>	434,490	<u>\$ 158,662</u>
Fund balance - beginning			<u>2,389,490</u>	
Fund balance - ending			<u>\$ 2,823,980</u>	

See notes to required supplementary information

**ST. LUCIE WEST SERVICES DISTRICT  
ST. LUCIE COUNTY, FLORIDA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The general fund budget for the fiscal year ended September 30, 2011 was amended to increase revenues by \$88,451 and decrease appropriations by \$69,653. The increase in revenues is primarily the result of greater than anticipated assessments being collected due to fewer people taking advantage of the discount for early payment than expected and the decrease in appropriations is primarily due to originally budgeted costs which were not incurred. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2011.

The variance between budgeted and actual general fund revenues for the current fiscal year was not considered significant. The actual general fund expenditures for the current fiscal year were lower than budgeted amounts primarily to anticipated costs which were not incurred.



**Grau & Associates**  
CERTIFIED PUBLIC ACCOUNTANTS

2700 North Military Trail • Suite 350  
Boca Raton, Florida 33431  
(561) 994-9299 • (800) 299-4728  
Fax (561) 994-5823  
www.graucpa.com

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of St. Lucie West Services District, St. Lucie County, Florida ("District") as of and for the fiscal year ended September 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 23, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

*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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified certain deficiencies in internal control over financial reporting that we consider being a material weakness as item 2011-1 and other deficiencies that we consider being significant deficiencies as items 2011-2 and 2011-3, which were addressed in the accompanying report to management dated May 23, 2012.

Compliance and Other Matters

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

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

This report is intended for the information and use of the management, Board of Supervisors of St. Lucie West Services District, St. Lucie County, Florida and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Ghan & Associates*

May 23, 2012



**Grau & Associates**  
CERTIFIED PUBLIC ACCOUNTANTS

2700 North Military Trail • Suite 350  
Boca Raton, Florida 33431  
(561) 994-9299 • (800) 299-4728  
Fax (561) 994-5823  
www.graucpa.com

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

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

We have audited the accompanying basic financial statements of St. Lucie West Services District, St. Lucie County, Florida (the "District") as of and for the fiscal year ended September 30, 2011, and have issued our report thereon dated May 23, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In addition, we have issued our Report on Internal Control over Financial Reporting and Compliance and Other Matters dated May 23, 2012. Disclosures in that report should be considered in conjunction with this management letter.

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

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

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. This letter is intended for the information and use of the management, Board of Supervisors of St. Lucie West Services District, St. Lucie County, Florida and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank St. Lucie West Services District, St. Lucie County, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements and the courtesies extended to us.

*Grau & Associates*  
May 23, 2012



## REPORT TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

#### Material Weakness:

##### 2011-1 Reconciliation and Review of Account Balances

Observation: During our audit, we noted that various accounts and supporting schedules required material adjustments. These included \$1.3 million in adjustments to construction in progress and the underlying capital asset schedule and approximately \$430,000 adjustments to individual funds to record amortization, deferred revenue, accrued expenses and other items. There were also approximately \$5.6 million of adjustments to interfund payable and receivable accounts between the general fund and the water and sewer fund due to sharing one operating cash account.

Recommendation: The District should reconcile all ending balances to the general ledger on a periodic basis to ensure all balances are correct. The District should also consider opening another operating account for its utility fund operating activities.

Management Response: Concur. Cash accounts are reconciled on a monthly basis. However some non-cash accounts and construction in progress are reconciled once annually. Staff will reconcile these accounts on a more regular basis throughout the year to more easily identify adjustments that may be needed. Also, we have now opened up a utility specific operating checking account.

#### Significant Deficiencies:

##### 2011-2 Capital Asset Inventory

Observation: The District hired a contractor in FY 2007 to perform an inventory of capital assets. However, the inventory listing could not be relied upon due to several discrepancies with historical records. A full reconciliation has not yet been produced.

Recommendation: The District should establish updated detail subsidiary records to maintain control over individual assets and to enhance the accuracy of the District's financial reporting.

Management Response: Concur. The District employed an outside firm at a significant cost to perform a review of the fixed assets. While their report could not be relied upon due to historical discrepancies, the District will attempt to use some of the reliable information from that report to enhance the accuracy of the current fixed asset inventory. Also, the district is checking other historical records to further assist in enhancing the accuracy of the capital asset inventory.

##### 2011-3 Journal Entries

Observation: During our audit, we noted the District does not have a standard and consistent approval process for journal entries posted to the accounting system. Consequently, an inappropriate or errant journal entry could be entered into the accounting system without proper approval, and therefore be undetected. A lack of control over journal entries reduces the District's ability to identify fraudulent or inappropriate transactions on a timely basis.

Recommendation: All journal entries posted to the accounting system should be reviewed and approved by the District and management company personnel independent of the original entry into the accounting system on at least a monthly basis.

Management Response: Concur. The Administrative Staff currently prepares a monthly detailed report for District Management regarding all revenues and expenditures for their review. However, an official approval process for review of all activity, specifically journal entries relating to transfers between funds that would not be reflected in the detailed revenue and expenditure report, was not in place. Management has implemented a process wherein the District Manager will receive and review a monthly report of all journal entries.

## REPORT TO MANAGEMENT (Continued)

### II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS AND CURRENT YEAR STATUS

#### Material Weaknesses:

2010-1 Reconciliation and Review of Account Balances – matter is repeated in current year as finding 2011-1.

2009-01 Reconciliation and Review of Account Balances – matter is repeated in current year as finding 2011-1.

2009-02 Cutoff of Expenditures – matter has been resolved.

2009-03 Preparation of Financial Statements – matter has been resolved.

#### Significant Deficiencies:

2010-2 Capital Asset Inventory – matter is repeated in the current year as finding 2011-2.

2010-3 Journal Entries – matter is repeated in the current year as finding 2011-3.

2009-04 Capital Asset Inventory – matter is repeated in the current year as finding 2011-2.

2009-05 Journal Entries – matter is repeated in the current year as finding 2011-3.

#### Other Matters:

2009-06 New Accounting Pronouncement – matter has been resolved.

2009-07 Review of Payroll Process – matter has been resolved.

2009-08 Old Outstanding Checks – matter has been resolved.

### 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, 2010, except as noted above.

2. A statement as to whether or not the local governmental entity complied with Section 218.415, Florida Statutes, regarding the investment of public funds.

The District complied with Section 218.415, Florida Statutes, regarding the investment of public funds.

### **REPORT TO MANAGEMENT (Continued)**

3. 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, 2011, except as noted above.

4. Violations of 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 more than inconsequential.

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, 2011, except as noted above.

5. For matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors, the following may be reported based on professional judgment:

- a. Violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse.
- b. Deficiencies in internal control that are not significant deficiencies.

There were no such matters discovered by, or that came to the attention of, the auditor, that, in our judgment, are required to be reported, for the fiscal year ended September 30, 2011, except as noted above.

6. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.
7. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2011 financial audit report.
8. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
9. We applied financial condition assessment procedures pursuant to Rule 10.556(7) and no deteriorating financial conditions were noted. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.