

**ST. LUCIE WEST SERVICES DISTRICT
ST. LUCIE COUNTY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2015**

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of St. Lucie West Services District, St. Lucie County, Florida (the "District") as of and for the fiscal year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the District as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2016, 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 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 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.

Report on Other Legal and Regulatory Requirements

We have also issued our report dated May 20, 2016, on our consideration of the District's compliance with the requirements of Section 218.415, Florida Statutes, as required by Rule 10.556(10) of the Auditor General of the State of Florida. The purpose of that report is to provide an opinion based on our examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

May 20, 2016

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, 2015. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements themselves.

FINANCIAL HIGHLIGHTS

- The assets plus deferred outflows of resources of the District exceeded its liabilities at the close of the most recent fiscal year resulting in a net position balance of \$47,581,504.
- The change in the District's total net position in comparison with the prior fiscal year was \$2,598,353 an increase. The key components of the District's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2015, the District's governmental funds reported combined ending fund balances of \$5,250,767 an increase of \$204,077 in comparison with the prior year. The total fund balance is nonspendable for prepaids, restricted for debt service, assigned for renewal and replacement, and the remainder is unassigned fund balance which is available for spending at the District's discretion.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the District that are principally supported by assessments and stormwater fees (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general (management), and 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 three 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 debt service, and Cascades 2010 debt service funds, all of which are considered to be major funds.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

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

Proprietary Fund

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

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

Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

	NET POSITION					
	SEPTEMBER 30,					
	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 4,872,036	\$ 4,653,821	\$ 3,188,356	\$ 1,735,522	\$ 8,060,392	\$ 6,389,343
Restricted assets	866,635	717,546	10,601,718	18,435,331	11,468,353	19,152,877
Capital assets, net of depreciation	45,991,875	42,093,120	42,707,431	37,183,769	88,699,306	79,276,889
Total assets	51,730,546	47,464,487	56,497,505	57,354,622	108,228,051	104,819,109
Deferred outflows of resources	400,180	440,198	478,828	798,296	879,008	1,238,494
Current liabilities	556,604	515,405	1,381,570	2,622,004	1,938,174	3,137,409
Long-term liabilities	21,445,535	18,366,781	38,141,846	39,570,262	59,587,381	57,937,043
Total liabilities	22,002,139	18,882,186	39,523,416	42,192,266	61,525,555	61,074,452
Net position						
Net investment in capital assets	24,962,055	24,183,318	5,076,259	(1,552,935)	30,038,314	22,630,383
Restricted	661,972	413,544	9,829,440	18,236,889	10,491,412	18,650,433
Unrestricted	4,504,560	4,425,637	2,547,218	(723,302)	7,051,778	3,702,335
Total net position	\$ 30,128,587	\$ 29,022,499	\$ 17,452,917	\$ 15,960,652	\$ 47,581,504	\$ 44,983,151

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

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

The results of this year's operations for the District as a whole are reported in the statement of activities. The net position of the District's governmental activities increased \$1,001,056 and the net position of the business-type activities increased \$1,597,297 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, 2015 was \$4,444,644. As in the prior year, the majority of the costs of the Districts governmental activities were paid by program revenues. Program revenues consisted primarily of assessments and stormwater fees for the current and prior year. The increase in expenses is primarily due to the cost associated with the issuance of new Bonds during the current fiscal 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. The decrease in revenues is primarily due to a decrease in collection of impact fees. Expenses decreased during the year due to a decrease in interest expense as the bonds were refinanced in the prior fiscal year resulting in a decrease in interest and cost of issuance expense.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	CHANGES IN NET POSITION					
	FOR THE FISCAL YEAR ENDED SEPTEMBER 30,					
	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 5,408,474	\$ 4,825,202	\$ 8,977,970	\$ 9,013,554	\$ 14,386,444	\$ 13,838,756
Capital grants and contributions	52,561	-	-	-	52,561	-
General revenues:						
Investment earnings	676	662	3,181	6,302	3,857	6,964
Other	27,657	16,815	108,316	419,418	135,973	436,233
Loss on disposal of capital assets	(43,668)	(11,570)	-	-	(43,668)	(11,570)
Total revenues	5,445,700	4,831,109	9,089,467	9,439,274	14,535,167	14,270,383
Expenses:						
Governmental activities:						
General government	495,632	537,058	-	-	495,632	537,058
Physical environment	3,080,852	3,308,927	-	-	3,080,852	3,308,927
Cost of issuance	193,225	-	-	-	193,225	-
Interest	569,903	526,058	-	-	569,903	526,058
Business - type activities:						
Water and sewer utilities	-	-	6,439,110	6,371,619	6,439,110	6,371,619
Interest	-	-	1,158,092	1,537,162	1,158,092	1,537,162
Total expenses	4,339,612	4,372,043	7,597,202	7,908,781	11,936,814	12,280,824
Change in net position	1,106,088	459,066	1,492,265	1,530,493	2,598,353	1,989,559
Net position - beginning	29,022,499	28,563,433	15,960,652	14,430,159	44,983,151	42,993,592
Net position - ending	\$ 30,128,587	\$ 29,022,499	\$ 17,452,917	\$ 15,960,652	\$ 47,581,504	\$ 44,983,151

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, 2015 was amended to increase revenues by \$602,151 and increase appropriations by \$555,957. Actual general fund expenditures did not exceed appropriations during the current fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2015, the District had \$70,697,038 invested in land, construction in progress, infrastructure, buildings and equipment and furniture, for its governmental activities. In the government-wide financial statements depreciation of \$24,705,163 has been taken, which resulted in a net book value of \$45,991,875. The District's business-type activities reported net capital assets of \$42,707,431. More detailed information about the District's capital assets is presented in the notes of the financial statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Capital Debt

At September 30, 2015, the District had \$21,430,000 in Bonds outstanding for its governmental activities. For business-type activities, the District had Bonds outstanding of \$38,110,000. More detailed information about the District's capital debt is presented in the notes of the financial statements.

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND OTHER EVENTS

The District anticipates positive account activity trends and the recent refunding of Bonds have placed the District in a better financial position. The District staffs through efficient budgeting and innovative cost saving measures have enabled the District to keep rates the same for the past six fiscal years. The budget for fiscal year 2016 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 2016. 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.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

ST. LUCIE WEST SERVICES DISTRICT
ST. LUCIE COUNTY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,572,070	\$ 4,119,877	\$ 6,691,947
Investments	6,108	-	6,108
Restricted assets:			
Cash and cash equivalents	-	10,601,718	10,601,718
Investments	866,635	-	866,635
Accounts receivable, net	-	1,119,389	1,119,389
Assessments receivable	31,200	-	31,200
Internal balances	2,210,905	(2,210,905)	-
Prepaid items	51,753	155,260	207,013
Other current assets	-	4,735	4,735
Capital assets:			
Nondepreciable	4,878,196	3,692,965	8,571,161
Depreciable, net	41,113,679	39,014,466	80,128,145
Total assets	<u>51,730,546</u>	<u>56,497,505</u>	<u>108,228,051</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding (debit)	400,180	478,828	879,008
Total deferred outflows of resources	<u>400,180</u>	<u>478,828</u>	<u>879,008</u>
LIABILITIES			
Accounts payable and accrued expenses	289,093	609,292	898,385
Accrued interest payable	173,732	577,586	751,318
Customer deposits	93,779	194,692	288,471
Noncurrent liabilities:			
Due within one year	1,875,000	1,370,000	3,245,000
Due in more than one year	19,570,535	36,771,846	56,342,381
Total liabilities	<u>22,002,139</u>	<u>39,523,416</u>	<u>61,525,555</u>
NET POSITION			
Net investment in capital assets	24,962,055	5,076,259	30,038,314
Restricted for:			
Debt service	661,972	4,305,192	4,967,164
Capital projects and other	-	472,867	472,867
Renewal and replacement	-	1,127,264	1,127,264
Surplus and rate stabilization	-	3,924,117	3,924,117
Unrestricted	4,504,560	2,547,218	7,051,778
Total net position	<u>\$ 30,128,587</u>	<u>\$ 17,452,917</u>	<u>\$ 47,581,504</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, 2015**

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:						
Governmental activities:						
General government	\$ 495,632	\$ 495,632	\$ -	\$ -	\$ -	\$ -
Maintenance and operations	3,080,852	2,578,252	52,561	(450,039)	-	(450,039)
Cost of issuance	193,225	-	-	(193,225)	-	(193,225)
Interest on long-term debt	569,903	2,334,590	-	1,764,687	-	1,764,687
Total governmental activities	4,339,612	5,408,474	52,561	1,121,423	-	1,121,423
Business-type activities:						
Water and sewer utilities	6,439,110	7,758,720	-	-	1,319,610	1,319,610
Interest on long-term debt	1,158,092	1,219,250	-	-	61,158	61,158
Total business-type activities	7,597,202	8,977,970	-	-	1,380,768	1,380,768
Total	11,936,814	14,386,444	52,561	1,121,423	1,380,768	2,502,191
General revenues:						
Investment earnings				676	3,181	3,857
Miscellaneous				27,657	108,316	135,973
Loss on disposal of capital assets				(43,668)	-	(43,668)
Total general revenues				(15,335)	111,497	96,162
Change in net position				1,106,088	1,492,265	2,598,353
Net position - beginning				29,022,499	15,960,652	44,983,151
Net position - ending				\$ 30,128,587	\$ 17,452,917	\$ 47,581,504

See notes to the financial statements

**ST. LUCIE WEST SERVICES DISTRICT
ST. LUCIE COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015**

	Major Funds			Total Governmental Funds
	General	Water Management Debt Service	Cascades 2010 Debt Service	
ASSETS				
Cash and cash equivalents	\$ 2,572,070	\$ -	\$ -	\$ 2,572,070
Investments	6,108	-	-	6,108
Assessments receivable	8,038	23,162	-	31,200
Due from other funds	2,264,998	-	-	2,264,998
Prepaid items	51,753	-	-	51,753
Restricted assets:				
Investments	-	801,870	64,765	866,635
Total assets	<u>\$ 4,902,967</u>	<u>\$ 825,032</u>	<u>\$ 64,765</u>	<u>\$ 5,792,764</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$ 289,093	\$ -	\$ -	\$ 289,093
Due to other funds	-	46,019	8,074	54,093
Deposits	93,779	-	-	93,779
Total liabilities	<u>382,872</u>	<u>46,019</u>	<u>8,074</u>	<u>436,965</u>
Fund balances:				
Nonspendable:				
Prepaid items	51,753	-	-	51,753
Restricted for:				
Debt service	-	779,013	56,691	835,704
Assigned:				
Renewal and replacement	2,048,506	-	-	2,048,506
Unassigned	2,419,836	-	-	2,419,836
Total fund balances	<u>4,520,095</u>	<u>779,013</u>	<u>56,691</u>	<u>5,355,799</u>
Total liabilities and fund balances	<u>\$ 4,902,967</u>	<u>\$ 825,032</u>	<u>\$ 64,765</u>	<u>\$ 5,792,764</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 POSITION
SEPTEMBER 30, 2015**

Fund balance - governmental funds \$ 5,355,799

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	70,697,038	
Accumulated depreciation	<u>(24,705,163)</u>	45,991,875

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

400,180

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	(173,732)	
Bonds payable	(21,430,000)	
Compensated absences	<u>(15,535)</u>	<u>(21,619,267)</u>

Net position of governmental activities		<u><u>\$ 30,128,587</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, 2015**

	Major Funds			Total Governmental Funds
	General	Water Management Debt Service	Cascades 2010 Debt Service	
REVENUES				
Special assessments	\$ 1,223,749	\$ 1,905,921	\$ 189,358	\$ 3,319,028
Stormwater fees	1,850,135	239,311	-	2,089,446
Investment earnings	12	597	67	676
Grant revenue	52,561	-	-	52,561
Miscellaneous	27,657	-	-	27,657
Total revenues	<u>3,154,114</u>	<u>2,145,829</u>	<u>189,425</u>	<u>5,489,368</u>
EXPENDITURES				
Current:				
General government	388,174	33,716	-	421,890
Maintenance and operations	1,906,033	-	-	1,906,033
Debt service:				
Interest expense	-	519,862	27,019	546,881
Principal expense	-	1,565,000	165,000	1,730,000
Bond issue costs	-	193,225	-	193,225
Capital outlay	782,230	4,410,000	-	5,192,230
Total expenditures	<u>3,076,437</u>	<u>6,721,803</u>	<u>192,019</u>	<u>9,990,259</u>
Excess (deficiency) of revenues over (under) expenditures	77,677	(4,575,974)	(2,594)	(4,500,891)
OTHER FINANCING SOURCES				
Bond proceeds	-	4,810,000	-	4,810,000
Total other financing sources	<u>-</u>	<u>4,810,000</u>	<u>-</u>	<u>4,810,000</u>
Net change in fund balances	77,677	234,026	(2,594)	309,109
Fund balances - beginning	<u>4,442,418</u>	<u>544,987</u>	<u>59,285</u>	<u>5,046,690</u>
Fund balances - ending	<u>\$ 4,520,095</u>	<u>\$ 779,013</u>	<u>\$ 56,691</u>	<u>\$ 5,355,799</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, 2015**

Net change in fund balances - total governmental funds	\$ 309,109
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures, however, the cost of capital assets is eliminated in the statement of activities and capitalized in the statement of net position.	5,192,230
Depreciation of capital assets is not recognized in the governmental fund statements but is reported as an expense in the statement of activities.	(1,249,807)
Governmental funds report bond proceeds when debt is first issued, whereas these proceeds are eliminated in the statement of activities and recognized as long-term liabilities in the statement of net position.	(4,810,000)
Amortization of deferred outflows/inflows of resources is not recognized in the governmental fund financial statements, but is reported as an expense in the statement of activities.	(40,018)
The loss on the disposal of capital assets is recorded on the government wide financial statements but not on the fund financial statements.	(43,668)
Repayment of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities.	1,730,000
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	1,246
Change in accrued interest	16,996
Change in net position of governmental activities	\$ 1,106,088

See notes to the financial statements

**ST. LUCIE WEST SERVICES DISTRICT
ST. LUCIE COUNTY, FLORIDA
STATEMENT OF NET POSITION - PROPRIETARY FUND
SEPTEMBER 30, 2015**

	Water and Sewer Utility
ASSETS	
Current assets:	
Unrestricted:	
Cash and cash equivalents	\$ 4,119,877
Accounts receivable, net of allowance for uncollectibles	1,119,389
Due from other funds	14,524
Prepaid expenses	155,260
Other	4,735
Restricted:	
Cash and cash equivalents	10,601,718
Total current assets	16,015,503
Noncurrent assets:	
Capital assets:	
Land	1,200,000
Building	298,026
Construction in progress	2,492,965
Infrastructure	56,953,600
Equipment and furniture	2,231,726
Less accumulated depreciation	(20,468,886)
Total capital assets, net of accumulated depreciation	42,707,431
Total noncurrent assets	42,707,431
Total assets	58,722,934
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	478,828
Total deferred outflows of resources	478,828
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	625,215
Due to other funds	2,225,429
Liabilities payable from restricted assets:	
Customer deposits	194,692
Current portion of long-term debt	1,370,000
Interest payable	577,586
Total current liabilities	4,992,922
Noncurrent liabilities:	
Long-term debt	36,755,923
Total noncurrent liabilities	36,755,923
Total liabilities	41,748,845
NET POSITION	
Invested in capital assets	5,076,259
Restricted for:	
Debt service	4,305,192
Capital projects and other	472,867
Renewal and replacement	1,127,264
Surplus and rate stabilization	3,924,117
Unrestricted	2,547,218
Total net position	17,452,917
Total net position and liabilities	\$ 59,201,762

See notes to the financial statements

**ST. LUCIE WEST SERVICES DISTRICT
ST. LUCIE COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	<u>Water and Sewer Utility</u>
OPERATING REVENUES	
Charges for sales and services:	
Charges for water and sewer services	\$ 8,364,080
Late fees	72,393
Bulk water sales	531,198
Other	10,299
Total operating revenues	<u>8,977,970</u>
OPERATING EXPENSES	
Personnel services	2,146,797
Contractual services	659,229
Water and sewer operations	1,905,107
Repairs and maintenance	266,089
Rent and leases	4,127
Depreciation	1,428,718
Amortization	29,043
Total operating expense	<u>6,439,110</u>
Operating income (loss)	<u>2,538,860</u>
NON OPERATING REVENUES (EXPENSES)	
Impact fees	108,316
Interest revenue	3,181
Interest expense	(1,158,092)
Total non operating revenue (expenses)	<u>(1,046,595)</u>
Change in net position	1,492,265
Total net position - beginning	<u>15,960,652</u>
Total net position - ending	<u>\$ 17,452,917</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, 2015**

	Water and Sewer Utility
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers and users	\$ 9,013,219
Payments to suppliers of goods and services	(6,222,622)
Net cash provided (used) by operating activities	2,790,597
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Due to/from other funds	1,495,966
Net cash provided (used) by noncapital financing activities	1,495,966
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Impact fees	108,316
Purchases of capital assets	(6,952,380)
Principal paid on debt	(1,425,000)
Interest paid on debt	(1,001,579)
Net cash provided (used) by capital and related financing activities	(9,270,643)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest earnings	3,181
Net cash provided (used) by investing activities	3,181
Net increase (decrease) in cash and cash equivalents	(4,980,899)
Cash and cash equivalents - October 1	19,702,494
Cash and cash equivalents - September 30	\$ 14,721,595
Reported as:	
Cash	\$ 4,119,877
Restricted cash	10,601,718
	\$ 14,721,595

(Continued)

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, 2015
(Continued)**

	<u>Water and Sewer Utility</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ 2,538,860
Adjustments to reconcile operating income (loss) to net cash provided (used) by Operating Activities:	
Depreciation and amortization	1,457,761
(Increase)/Decrease in:	
Accounts receivables	38,999
Prepays and deposits	(135,085)
Increase/(Decrease) in:	
Accounts payable and accrued expenses	(1,104,480)
Customer deposits	(3,750)
Compensated absences	(1,708)
Total adjustments	<u>251,737</u>
Net cash provided (used) by operating activities	<u><u>\$ 2,790,597</u></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 42-1.001, 1.002, and 1.003, establishing the St. Lucie West Services District. The District was established for the purpose of, among other things, construction of and/or acquiring water management and control, water supply, sewer, wastewater management, bridges or culverts, District roads, parks and recreational facilities, security facilities, control and elimination of mosquitoes and other arthropods and landscaping related to recreational amenities, roads, and surface water management, and related improvements located within and/or without the boundaries of St. Lucie West Services District.

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

The Board has the final responsibility for:

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

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District is considered to be financially accountable and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by assessments and general revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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*.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Assessments

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

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

The District reports the following major governmental funds:

General Fund

The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Water Management Debt Service Fund

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 fund:

Water and Sewer Fund

The water and sewer fund accounts for the water and sewer operations of the District that are financed and supported primarily by user charges.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. Operating expenses of the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

Assets, Liabilities and Net Position or Equity

Restricted Assets

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

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits (interest and non-interest bearing).

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The District may invest any surplus public funds in the following:

- a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act;
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c) Interest bearing time deposits or savings accounts in qualified public depositories;
- d) Direct obligations of the U.S. Treasury.

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Interfund Receivables and Payables

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

Receivables

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

Capital Assets

Capital assets, which include property, water and sewer improvements, machinery and equipment and infrastructure (roads, sidewalks, etc.) are reported in the applicable governmental or business-type activities. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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 and buildings	10 – 50
Equipment	5 – 30

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Refundings of Debt

For current refundings and advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources/deferred inflow of resources and recognized ratably as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. In connection with the refunding, \$40,018 and \$29,043 was recognized as a component of interest expense in the current fiscal year for the governmental and business-type activities, respectively.

Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned.

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick leave and vacation leave benefits. All sick and vacation leave is accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Liability for accrued compensated absences of the governmental activities is not reported in the balance sheet of the governmental funds and, accordingly, represents a reconciling item between the fund and government-wide presentations. Payments are generally paid out of the general fund.

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the Bonds using the straight-line method. Bonds payable are reported net of applicable premiums or discounts. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize Bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing 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 Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future reporting period(s). For example, the District would record deferred outflows of resources on the statement of net position related to debit amounts resulting from current and advance refundings resulting in the defeasance of debt (i.e. when there are differences between the reacquisition price and the net carrying amount of the old debt).

Deferred inflows of resources represent an acquisition of net position that applies to future reporting period(s). For example, when an asset is recorded in the governmental fund financial statements, but the revenue is unavailable, the District reports a deferred inflow of resources on the balance sheet until such times as the revenue becomes available.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Fund Equity/Net Position (Continued)

The District can establish limitations on the use of fund balance as follows:

Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Supervisors. Commitments may be changed or lifted only by the Board of Supervisors taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned fund balance – Includes spendable fund balance amounts established by the Board of Supervisors that are intended to be used for specific purposes that are neither considered restricted nor committed. The Board may also assign fund balance as it does when appropriating fund balance to cover differences in estimated revenue and appropriations in the subsequent year's appropriated budget. Assignments are generally temporary and normally the same formal action need not be taken to remove the assignment.

The District first uses committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position in the government-wide financial statements are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net position related to infrastructure and property, plant and equipment. Restricted net position represents the assets restricted by the District's Bond covenants or other contractual restrictions. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

Other Disclosures

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 – BUDGETARY INFORMATION

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

NOTE 3 – BUDGETARY INFORMATION (Continued)

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

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

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

NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits

The District's cash balances, except for restricted cash held in the water and sewer fund and 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.

The District's restricted cash in the water and sewer fund is held by a third party custodian and held in the District's name.

Investments

The District's investments were held as follows at September 30, 2015:

Investment	Fair Value	Credit Risk	Maturities
US Bank Commercial Paper Manual Sw eep	\$ 866,635	A-1	N/A
Florida prime	6,108	S&P AAAm	Weighted average of the fund portfolio: 29 days
Total Investments	<u>\$ 872,743</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.

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

NOTE 5 – RESTRICTED CASH

Restricted cash in the water and sewer fund at September 30, 2015 were held as follows:

Restricted Cash:	
Customer deposits	\$ 194,692
Debt service reserve	2,524,602
Debt service	2,358,176
Renew al and replacement	1,127,264
Rate stabalization	530,634
Water and sewer connection	472,867
Surplus	3,393,483
	<u>\$ 10,601,718</u>

NOTE 6 – INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at September 30, 2015 were as follows:

Governmental Funds	Receivable	Payable
General	\$ 2,264,998	\$ -
Debt service		46,019
Debt service (Cascades)		8,074
Proprietary Funds		
Water and sewer	14,524	2,225,429
Total	<u>\$ 2,279,522</u>	<u>\$ 2,279,522</u>

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

NOTE 7 – RECEIVABLES

Accounts receivable in the water and sewer fund are reported net of uncollectible amounts. Total accounts receivable and uncollectible amounts at September 30, 2015 are as follows:

Gross billed accounts receivable	\$ 428,827
Gross unbilled accounts receivable	705,220
Uncollectibles	(55,000)
Net receivable	<u>\$ 1,079,047</u>

NOTE 8 – CAPITAL ASSETS

Capital asset activity for governmental activities for the fiscal year ended September 30, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ -	\$ 4,441,000	\$ -	\$ 4,441,000
Construction in progress	192,954	582,649	(338,407)	437,196
Total capital assets, not being depreciated	192,954	5,023,649	(338,407)	4,878,196
Capital assets, being depreciated				
Buildings	309,068	-	-	309,068
Infrastructure	63,794,919	331,980	-	64,126,899
Equipment and furniture	1,346,033	175,008	(138,166)	1,382,875
Total capital assets, being depreciated	65,450,020	506,988	(138,166)	65,818,842
Less accumulated depreciation for:				
Buildings	(27,097)	(10,302)	-	(37,399)
Infrastructure	(22,559,505)	(1,164,943)	-	(23,724,448)
Equipment and furniture	(963,252)	(74,562)	94,498	(943,316)
Total accumulated depreciation	(23,549,854)	(1,249,807)	94,498	(24,705,163)
Total capital assets, being depreciated, net	41,900,166	(742,819)	(43,668)	41,113,679
Governmental activities capital assets, net	\$ 42,093,120	\$ 4,280,830	\$ (382,075)	\$ 45,991,875

Depreciation expense was charged to function/programs as follows:

General government	\$ 74,988
Maintenance and operations	1,174,819
	<u>\$ 1,249,807</u>

Capital asset activity for business-type activities for the fiscal year ended September 30, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Business-type Activities</u>				
Capital assets, not being depreciated				
Land	\$ 1,200,000	\$ -	\$ -	\$ 1,200,000
Construction in progress	8,002,294	6,768,048	(12,277,377)	2,492,965
Total capital assets, not being depreciated	9,202,294	6,768,048	(12,277,377)	3,692,965
Capital assets, being depreciated				
Buildings	298,026	-	-	298,026
Infrastructure/Improvements	44,676,222	12,277,377	-	56,953,599
Equipment and furniture	2,047,395	184,332	-	2,231,727
Total capital assets, being depreciated	47,021,643	12,461,709	-	59,483,352
Less accumulated depreciation for:				
Buildings	(32,083)	(9,264)	-	(41,347)
Infrastructure/Improvements	(17,687,748)	(1,283,069)	-	(18,970,817)
Equipment and furniture	(1,320,337)	(136,385)	-	(1,456,722)
Total accumulated depreciation	(19,040,168)	(1,428,718)	-	(20,468,886)
Total capital assets, being depreciated, net	27,981,475	11,032,991	-	39,014,466
Business-type activities capital assets, net	\$ 37,183,769	\$ 17,801,039	\$ (12,277,377)	\$ 42,707,431

Outstanding commitments related to various construction projects was approximately \$76,000 as of September 30, 2015.

NOTE 9 – LONG-TERM LIABILITIES

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, 2015.

Utility Revenue Refunding, Series 2011

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

The Series 2011 Bonds are subject to redemption as defined in the Bond Indenture. The Bond Indenture also established a debt service reserve requirement as well as other restrictions. The District was in compliance with the requirements at September 30, 2015.

Special Assessment Refunding, Series 2013

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

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

The Bond Indenture established a debt service reserve requirement as well as other restrictions. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District was in compliance with the requirements at September 30, 2015.

Utility Revenue Refunding, Series 2013

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

The Series 2013 Bonds are subject to redemption as defined in the Bond Indenture. The Bond Indenture also established a debt service reserve requirement as well as other restrictions. The District was in compliance with the requirements at September 30, 2015.

NOTE 9 – LONG-TERM LIABILITIES (Continued)

Utility Revenue Refunding, Series 2014

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

The Series 2014 Bonds are subject to redemption as defined in the Bond Indenture. The Bond Indenture also established a debt service reserve requirement as well as other restrictions. The District was in compliance with the requirements at September 30, 2015.

Stormwater Utility Revenue Bonds, Series 2014

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

The Series 2014 Bonds are subject to redemption at the option of the District prior to their maturity. The Bond Indenture established a debt service reserve requirement as well as other restrictions. The District and the City of Port St. Lucie have entered into an agreement whereby the City will transfer approximately \$400,000 of Stormwater utility fees to the District to cover the debt service on the Bonds. The District was in compliance with the requirements at September 30, 2015.

Long-term debt activity

Changes in long-term liability activity for the fiscal year ended September 30, 2015 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2010 (Cascades)	\$ 705,000	\$ -	\$ (165,000)	\$ 540,000	\$ 175,000
Series 2013	17,645,000		(1,415,000)	16,230,000	1,450,000
Series 2014		4,810,000	(150,000)	4,660,000	250,000
Total bonds payable	18,350,000	4,810,000	(1,730,000)	21,430,000	1,875,000
Compensated absences	16,781		(1,246)	15,535	
Total	\$ 18,366,781	\$ 4,810,000	\$ (1,731,246)	\$ 21,445,535	\$ 1,875,000
<u>Business-type activities</u>					
Bonds payable:					
Series 2011	\$ 22,140,000	\$ -	\$ (960,000)	\$ 21,180,000	\$ 985,000
Series 2013	5,370,000	-	(225,000)	5,145,000	230,000
Series 2014	12,025,000	-	(240,000)	11,785,000	155,000
Total bonds payable	39,535,000	-	(1,425,000)	38,110,000	1,370,000
Compensated absences	17,631		(1,708)	15,923	
Total	\$ 39,552,631	\$ -	\$ (1,426,708)	\$ 38,125,923	\$ 1,370,000

NOTE 9 – LONG-TERM LIABILITIES (Continued)

Long-term debt activity (Continued)

At September 30, 2015, the scheduled debt service requirements on the long-term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2016	\$ 1,875,000	\$ 416,956	\$ 2,291,956
2017	1,920,000	374,812	2,294,812
2018	1,975,000	331,680	2,306,680
2019	1,830,000	287,188	2,117,188
2020	1,880,000	249,124	2,129,124
2021-2025	11,950,000	640,378	12,590,378
Total	<u>\$ 21,430,000</u>	<u>\$ 2,300,138</u>	<u>\$ 23,730,138</u>

Year ending September 30:	Business-type Activities		
	Principal	Interest	Total
2016	\$ 1,370,000	\$ 1,134,464	\$ 2,504,464
2017	1,405,000	1,094,718	2,499,718
2018	1,450,000	1,053,846	2,503,846
2019	1,490,000	1,011,736	2,501,736
2020	1,530,000	968,470	2,498,470
2021-2025	8,340,000	4,148,257	12,488,257
2026-2030	9,610,000	2,861,744	12,471,744
2031-2035	11,115,000	1,311,696	12,426,696
2036	1,800,000	32,490	1,832,490
Total	<u>\$ 38,110,000</u>	<u>\$ 13,617,421</u>	<u>\$ 51,727,421</u>

NOTE 10 – INTERLOCAL AGREEMENTS

The District entered an interconnect agreement with the Reserve Community Development District (“the Reserve”) for the bulk sale of water from the District to the Reserve in 1993. In the agreement, the Reserve shall pay a connection charge of \$1,000 per water ERC, which equals 250 gallons per day, for each unit served through the interconnect. The District later amended the agreement, on November 12, 2003, to provide an additional 500,000 gallons per day, representing 2,000 ERC’s of potable water and 400,000 gallons per day, representing 2,000 ERC’s of sanitary sewer services to be phased in over a period not beyond October 1, 2015. During a prior fiscal year, on May 1, 2013, the District signed an amendment to the prior agreement, which revised the water and sewer service capacity to be purchased by the Reserve and also revised the monthly “take or pay” gallonage charges to be paid to the Utility for the potable water and sanitary sewer services received by the Reserve. Pursuant to the amended agreement, the Reserve purchased an additional 700 sewer ERC’s in May 2013, and shall now pay a connection charge of \$900 per sewer ERC. During the current fiscal year the District collected \$108,316 of connection fees which are shown as impact fees on the financial statements. The District also collected \$531,198 in wholesale water and sewer fees from the Reserve during the current fiscal year.

The District entered an interlocal agreement with the City of Port St. Lucie (the City) for maintenance of the stormwater management system in 1996. The City levies stormwater fees and then charges the District a 25% fee for administrative charges and maintaining main lines for storm runoff and remits the remaining 75% of stormwater fees collected from the District’s residents to the District for maintenance of the stormwater facilities owned by the District. For the year ended September 30, 2015, the City remitted approximately \$1,689,446 fees to the District.

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

NOTE 11 – EMPLOYEE PENSION PLAN

The District has established a Simplified Employee Pension Plan (SEP), which is classified as a defined contribution plan. The District contributed 9% of eligible employees' salaries during the fiscal year ended September 30, 2015. 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 \$87,000 in the general fund and \$121,000 in the water and sewer fund for the fiscal year ended September 30, 2015. The District, at its sole discretion, has the authority to terminate these pension plans; however, the District does not have the intention to do so.

NOTE 12 – MANAGEMENT COMPANY

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

NOTE 13 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. There have been no claims from these risks that exceeded commercial insurance coverage over the past three years.

**ST. LUCIE WEST SERVICES DISTRICT
ST. LUCIE COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Assessments	\$ 1,101,850	\$ 1,215,710	\$ 1,223,749	\$ 8,039
Stormwater fees	1,669,139	2,089,446	1,850,135	(239,311)
Grant revenue	-	52,561	52,561	-
Interest income	-	9	12	3
Miscellaneous revenue	12,243	27,657	27,657	-
Total revenues	<u>2,783,232</u>	<u>3,385,383</u>	<u>3,154,114</u>	<u>(231,269)</u>
EXPENDITURES				
Current:				
General government	335,110	735,765	388,174	347,591
Maintenance and operations	2,294,913	2,505,307	1,906,033	599,274
Capital outlay	55,092		782,230	(782,230)
Total expenditures	<u>2,685,115</u>	<u>3,241,072</u>	<u>3,076,437</u>	<u>164,635</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 98,117</u>	<u>\$ 144,311</u>	<u>77,677</u>	<u>\$ (66,634)</u>
Fund balance - beginning			<u>4,442,418</u>	
Fund balance - ending			<u>\$ 4,520,095</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, 2015 was amended to increase revenues by \$602,151 and increase appropriations by \$555,957. Actual general fund expenditures did not exceed appropriations during the current fiscal year.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of St. Lucie West Services District, St. Lucie County, Florida ("District") as of and for the fiscal year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated May 20, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

May 20, 2016



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

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

We have examined St. Lucie West Services District, St. Lucie County, Florida ("District") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2015. Management is responsible for District's compliance with those requirements. Our responsibility is to express an opinion on District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2015.

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

May 20, 2016



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

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of St. Lucie West Services District, St. Lucie County, Florida (the "District") as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated May 20, 2016.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated May 20, 2016, should be considered in conjunction with this management letter.

Purpose of this Letter

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

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

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

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

May 20, 2016

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS AND CURRENT YEAR STATUS

None

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

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

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

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2014.

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, 2015.

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, 2015.

4. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.

5. 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, 2015 financial audit report.

6. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.

7. We applied financial condition assessment procedures pursuant to Rule 10.556(7) and no deteriorating financial conditions were noted as of September 30, 2015. 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.