

**ST. LUCIE WEST SERVICES DISTRICT
ST. LUCIE COUNTY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2010**

**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

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, 2010, 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, 2010, 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 September 20, 2011, 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, and 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 important for 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

September 20, 2011

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, 2010. 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 \$42,824,692.
- The change in the District's total net assets in comparison with the prior fiscal year was \$2,145,261, 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, 2010, the District's governmental funds reported combined ending fund balances of \$6,010,488, a decrease of (\$1,968,066) in comparison with the prior year. Of this total decrease, (\$2,579,119) was reported in the debt service funds.

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), public safety, physical environment, transportation (roads and drainage) and culture and recreation. 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 golf and utility funds.

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	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 3,695,356	\$ 4,238,155	\$ 3,900,686	\$ 4,989,225	\$ 7,596,042	\$ 9,227,380
Restricted assets	3,839,476	4,939,628	13,752,584	13,094,076	17,592,060	18,033,704
Capital assets, net of depreciation	44,477,505	45,323,413	32,435,404	31,979,701	76,912,909	77,303,114
Total assets	52,012,337	54,501,196	50,088,674	50,063,002	102,101,011	104,564,198
Current liabilities	605,821	1,969,617	1,503,435	2,158,568	2,109,256	4,128,185
Long-term liabilities	20,827,054	23,473,369	36,340,009	36,283,213	57,167,063	59,756,582
Total liabilities	21,432,875	25,442,986	37,843,444	38,441,781	59,276,319	63,884,767
Net assets						
Invested in capital assets, net of related debt	27,316,729	24,558,061	(2,714,765)	(3,584,049)	24,601,964	20,974,012
Restricted	856,637	3,248,345	14,302,584	13,614,076	15,159,221	16,862,421
Unrestricted	2,406,096	1,251,804	657,411	1,591,194	3,063,507	2,842,998
Total net assets	\$ 30,579,462	\$ 29,058,210	\$ 12,245,230	\$ 11,621,221	\$ 42,824,692	\$ 40,679,431

A portion of 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 \$1,521,252 and the net assets of the business-type activities increased \$624,009 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, 2010 was \$ 4,580,451. 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	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 5,630,032	\$ 5,382,583	\$ 8,730,804	\$ 8,350,383	\$ 14,360,836	\$ 13,732,966
Capital grants and contributions	-	-	-	972,426	-	972,426
General revenues:						
Investment earnings	19,665	34,303	179,006	195,939	198,671	230,242
Other	14,253	162,933	17,884	83,323	32,137	246,256
Transfers	437,753	-	(437,753)	-	-	-
Total revenues	<u>6,101,703</u>	<u>5,579,819</u>	<u>8,489,941</u>	<u>9,602,071</u>	<u>14,591,644</u>	<u>15,181,890</u>
Expenses:						
Governmental activities:						
General government	2,117,119	2,481,234	-	-	2,117,119	2,481,234
Physical environment	667,384	659,816	-	-	667,384	659,816
Transportation	667,384	659,816	-	-	667,384	659,816
Interest	1,128,564	1,894,623	-	-	1,128,564	1,894,623
Business - type activities:						
Water and sewer utilities	-	-	5,726,819	5,553,306	5,726,819	5,553,306
Interest	-	-	2,139,113	2,166,673	2,139,113	2,166,673
Total expenses	<u>4,580,451</u>	<u>5,695,489</u>	<u>7,865,932</u>	<u>7,719,979</u>	<u>12,446,383</u>	<u>13,415,468</u>
Change in net assets	<u>1,521,252</u>	<u>(115,670)</u>	<u>624,009</u>	<u>1,882,092</u>	<u>2,145,261</u>	<u>1,766,422</u>
Net assets, beginning	<u>29,058,210</u>	<u>29,173,880</u>	<u>11,621,221</u>	<u>9,739,129</u>	<u>40,679,431</u>	<u>38,913,009</u>
Net assets, ending	<u>\$ 30,579,462</u>	<u>\$ 29,058,210</u>	<u>\$ 12,245,230</u>	<u>\$ 11,621,221</u>	<u>\$ 42,824,692</u>	<u>\$ 40,679,431</u>

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, 2010 was amended to increase revenues by \$43,494, decrease appropriations by \$474,092, decrease transfer in from other funds by \$150,000 and decrease use of fund balance by \$138,462. The increase in revenue is primarily the result of greater than anticipated storm water fees being collected. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2010.

The variance between the original and final budgeted amounts, as well as the variance between the final budgeted and actual amounts, is a result of storm water and aquatics maintenance expenditures incurred less than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2010, the District had \$62,492,890 invested in construction in progress, infrastructure, and equipment and furniture, for its governmental activities. In the government-wide financial statements depreciation of \$18,015,385 has been taken, which resulted in a net book value of \$44,477,505. The District's business-type activities reported net capital assets of \$32,435,404. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Capital Debt

At September 30, 2010, the District had \$20,815,226 Bonds outstanding for its governmental activities. For business-type activities, the District had Bonds outstanding of \$36,340,009. During the 2010 fiscal year, the District issued \$23,680,000 Series 2010 Water Management Benefit Special Assessment Refunding Bonds and \$1,320,000 Series 2010 Capital Improvement Revenue Refunding Bonds (Cascades Project). 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 current economic factors and the next year budget continues with the five year forecasting of the District's financial needs. The District anticipated that the general operations will remain fairly constant. For the utility operations, it is anticipated that any future growth would come primarily from commercial development. The District is continuing to work with the engineer to consider future anticipated capacity requirements for available commercial property.

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, 2010, the District finished a new administration office complex. Also, the district received approval for an approximately \$1 million FEMA Grant related to storm water management capital improvements.

In addition, the Board is considering refinancing certain outstanding Bonds; however, the terms of the refinancing have not yet been established.

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, 2010**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,962,909	\$ 260,343	\$ 2,223,252
Restricted assets:			
Cash and cash equivalents	-	1,619,556	1,619,556
Accounts receivable, net	52,861	878,821	931,682
Assessments receivable	36,514	-	36,514
Internal balances	259,511	(259,511)	-
Prepaid items	46,552	206,902	253,454
Other current assets	-	4,735	4,735
Restricted assets:			
Cash and cash equivalents	3,839,476	7,810,696	11,650,172
Investments	-	5,941,888	5,941,888
Deferred charges	1,337,009	1,189,840	2,526,849
Capital assets:			
Nondepreciable	534,474	1,200,000	1,734,474
Depreciable, net	43,943,031	31,235,404	75,178,435
Total assets	<u>52,012,337</u>	<u>50,088,674</u>	<u>102,101,011</u>
LIABILITIES			
Accounts payable and accrued expenses	83,964	219,124	303,088
Accrued interest payable	435,092	1,069,556	1,504,648
Customer deposits	86,765	214,755	301,520
Noncurrent liabilities:			
Due within one year	1,271,828	550,000	1,821,828
Due in more than one year	19,555,226	35,790,009	55,345,235
Total liabilities	<u>21,432,875</u>	<u>37,843,444</u>	<u>59,276,319</u>
NET ASSETS			
Invested in capital assets, net of related debt	27,316,729	(2,714,765)	24,601,964
Restricted for:			
Debt service	856,637	6,751,317	7,607,954
Capital projects	-	6,548,251	6,548,251
Renewal and replacement	-	1,003,016	1,003,016
Unrestricted	2,406,096	657,411	3,063,507
Total net assets	<u>\$ 30,579,462</u>	<u>\$ 12,245,230</u>	<u>\$ 42,824,692</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, 2010**

<u>Functions/Programs</u>	Expenses	Program	Net (Expense) Revenue and		Total
		Revenues	Changes in Net Assets		
		Charges for	Governmental	Business-type	
		Services	Activities	Activities	
Primary government:					
Governmental activities:					
General government	\$ 2,117,119	\$ 2,768,301	\$ 651,182	\$ -	\$ 651,182
Physical environment	667,384	-	(667,384)	-	(667,384)
Transportation	667,384	-	(667,384)	-	(667,384)
Interest on long-term debt	1,128,564	2,861,731	1,733,167	-	1,733,167
Total governmental activities	<u>4,580,451</u>	<u>5,630,032</u>	<u>1,049,581</u>		<u>1,049,581</u>
Business-type activities:					
Water and sewer utilities	5,726,819	6,591,691	-	864,872	864,872
Interest on long-term debt	2,139,113	2,139,113	-	-	-
Total business-type activities	<u>7,865,932</u>	<u>8,730,804</u>	<u>-</u>	<u>864,872</u>	<u>864,872</u>
Total	<u>12,446,383</u>	<u>14,360,836</u>	<u>1,049,581</u>	<u>864,872</u>	<u>1,914,453</u>
General revenues:					
Unrestricted investment earnings			19,665	179,006	198,671
Miscellaneous			14,253	17,884	32,137
Transfers			437,753	(437,753)	-
Change in net assets			1,521,252	624,009	2,145,261
Net assets - beginning			29,058,210	11,621,221	40,679,431
Net assets - ending			<u>\$ 30,579,462</u>	<u>\$ 12,245,230</u>	<u>\$ 42,824,692</u>

See notes to the financial statements

**ST. LUCIE WEST SERVICES DISTRICT
ST. LUCIE COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010**

	Major Funds			Nonmajor	Total Governmental Funds
	General	Water Management 2010 Debt Service	Water Management 2010 Capital	Cascades 2010 Debt Service	
ASSETS					
Cash and cash equivalents	\$ 1,962,909	\$ -	\$ -	\$ -	\$ 1,962,909
Accounts receivable	52,861	-	-	-	52,861
Assessments receivable	10,074	24,234	-	2,206	36,514
Due from other funds	494,664	-	-	-	494,664
Prepaid items	46,552	-	-	-	46,552
Restricted assets:					
Cash and cash equivalents	5,811	1,225,973	2,527,188	80,504	3,839,476
Total assets	\$ 2,572,871	\$ 1,250,207	\$ 2,527,188	\$ 82,710	\$ 6,432,976
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued expenses	\$ 80,010	\$ -	\$ 3,954	\$ -	\$ 83,964
Due to other funds	-	38,686	193,965	2,502	235,153
Deposits	86,765	-	-	-	86,765
Deferred revenue	16,606	-	-	-	16,606
Total liabilities	183,381	38,686	197,919	2,502	422,488
Fund balances:					
Reserved for:					
Debt service	-	1,211,521	-	80,208	1,291,729
Capital projects	-	-	2,329,269	-	2,329,269
Prepaid items	46,552	-	-	-	46,552
Unreserved, reported in:					
General fund	2,342,938	-	-	-	2,342,938
Total fund balances	2,389,490	1,211,521	2,329,269	80,208	6,010,488
Total liabilities and fund balances	\$ 2,572,871	\$ 1,250,207	\$ 2,527,188	\$ 82,710	\$ 6,432,976

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, 2010**

Fund balance - governmental funds		\$ 6,010,488
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	62,492,890	
Accumulated depreciation	<u>(18,015,385)</u>	44,477,505
Assets that are not available to pay for current-period expenditures are deferred in the fund statements.		
		16,606
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>(95,864)</u>	1,337,009
Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements. All		
Accrued interest payable	(435,092)	
Bonds payable	(24,280,000)	
Bond discounts	249,788	
Deferred amount on refunding	3,214,986	
Compensated absences	<u>(11,828)</u>	<u>(21,262,146)</u>
Net assets of governmental activities		<u>\$ 30,579,462</u>

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, 2010**

	Major Funds			Nonmajor	Total Governmental Funds
	General	Water Management 2010 Debt Service	Water Management 2010 Capital	Cascades 2010 Debt Service	
REVENUES					
Special assessments	1,091,013	2,623,347	\$ -	238,384	\$ 3,952,744
Stormwater fees	1,660,682	-	-		1,660,682
Investment earnings	3,867	8,886	6,155	757	19,665
Miscellaneous	11,679	-	2,574	-	14,253
Total revenues	2,767,241	2,632,233	8,729	239,141	5,647,344
EXPENDITURES					
Current:					
General government	410,301	-	-	-	410,301
Maintenance and operations	1,624,160	-	-	-	1,624,160
Debt service:					
Interest expense	-	866,767	-	49,258	916,025
Principal expense	-	720,000	-	-	720,000
Bond issuance costs and other		391,175	8,720	110,726	510,621
Capital outlay	115,349	-	458,710	-	574,059
Total expenditures	2,149,810	1,977,942	467,430	159,984	4,755,166
Excess (deficiency) of revenues over (under) expenditures	617,431	654,291	(458,701)	79,157	892,178
OTHER FINANCING SOURCES (USES)					
Transfers in	505,886				505,886
Transfers (out)	-	(14,570)	(53,563)		(68,133)
Bond issuance	-	23,680,000	-	1,320,000	25,000,000
Payment to refunded bond escrow agent	-	(26,628,741)	-	(1,669,256)	(28,297,997)
Total other financing sources (uses)	505,886	(2,963,311)	(53,563)	(349,256)	(2,860,244)
Net change in fund balances	1,123,317	(2,309,020)	(512,264)	(270,099)	(1,968,066)
Fund balances - beginning	1,266,173	3,520,541	2,841,533	350,307	7,978,554
Fund balances - ending	\$ 2,389,490	\$ 1,211,521	\$ 2,329,269	\$ 80,208	\$ 6,010,488

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, 2010**

Net change in fund balances - total governmental funds	\$ (1,968,066)
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.	574,059
Depreciation of capital assets is not recognized in the governmental fund statements but is reported as an expense in the statement of activities.	(1,419,967)
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.	16,606
Governmental funds report the face amount of Bonds issued as financial resources when debt is first issued, whereas these amounts are eliminated in the statement of activities and recognized as long-term liabilities in the statement of net assets.	(25,000,000)
Governmental funds report amounts transferred to the escrow agent in connection with the issuance of refunding Bonds as a financing use, whereas these amounts are eliminated in the statement of activities and reduce long-term liabilities in the statement of net assets.	28,297,997
Governmental funds report the effects of bond issuance costs, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	454,904
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.	720,000
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	2,541
Change in accrued interest	187,411
Change in net assets of governmental activities	\$ 1,521,252

See notes to the financial statements

**ST. LUCIE WEST SERVICES DISTRICT
ST. LUCIE COUNTY, FLORIDA
STATEMENT OF NET ASSETS - PROPRIETARY FUND
SEPTEMBER 30, 2010**

	Water and Sewer Utility
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 260,343
Restricted assets: cash and cash equivalents	1,619,556
Accounts receivable, net of allowance for uncollectibles	878,821
Prepaid expenses	206,902
Other	4,735
Total current assets	2,970,357
Noncurrent assets:	
Restricted cash and investments:	
Cash	7,810,696
Investments	5,941,888
Deferred charges	1,189,840
Capital assets:	
Land	1,200,000
Construction in process	2,908,480
Infrastructure	40,568,750
Equipment and furniture	1,647,187
Less accumulated depreciation	(13,889,013)
Total capital assets, net of accumulated depreciation	32,435,404
Total noncurrent assets	47,377,828
Total assets	50,348,185
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	219,124
Due to other funds	259,511
Customer deposits	214,755
Liabilities payable from restricted assets:	
Current portion of long-term debt	550,000
Interest payable	1,069,556
Total current liabilities	2,312,946
Noncurrent liabilities:	
Long-term debt	35,790,009
Total noncurrent liabilities	35,790,009
Total liabilities	38,102,955
NET ASSETS	
Invested in capital assets	(2,714,765)
Restricted for:	
Debt service	6,751,317
Capital projects	6,548,251
Renewal and replacement	1,003,016
Unrestricted	657,411
Total net assets	12,245,230
Total net assets and liabilities	\$ 50,348,185

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, 2010**

	Water and Sewer Utility
OPERATING REVENUES	
Charges for sales and services:	
Charges for water and sewer services	\$ 7,948,705
Late fees	83,517
Bulk water sales	427,065
Other	17,884
Total operating revenues	8,477,171
OPERATING EXPENSES	
Personnel services	1,679,062
Contractual services	500,410
Water and sewer operations	1,858,335
Repairs and maintenance	286,998
Rent and leases	33,783
Depreciation	1,261,812
Amortization	106,419
Total operating expense	5,726,819
Operating income (loss)	2,750,352
NON OPERATING REVENUES (EXPENSES)	
Impact fees	271,517
Interest revenue	179,006
Interest expense	(2,139,113)
Total non operating revenue (expenses)	(1,688,590)
Income before transfers	1,061,762
Transfers out	(2,387,353)
Transfers in	1,949,600
Change in net assets	624,009
Total net assets - beginning	11,621,221
Total net assets - ending	\$ 12,245,230

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, 2010**

	<u>Water and Sewer Utility</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 8,391,608
Payments to suppliers of goods and services	<u>(4,410,546)</u>
Net cash provided (used) by operating activities	<u>3,981,062</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Due from/to other funds	(261,652)
Transfers (to)/from other funds	<u>(437,753)</u>
Net cash provided (used) by noncapital financing activities	<u>(699,405)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Impact fees	271,517
Purchases of capital assets	(1,717,516)
Principal paid on debt	(520,000)
Interest paid on debt	<u>(2,152,892)</u>
Net cash provided (used) by capital and related financing activities	<u>(4,118,891)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(3,833,425)
Interest earnings	<u>179,006</u>
Net cash provided (used) by investing activities	<u>(3,654,419)</u>
Net increase (decrease) in cash and cash equivalents	(4,491,653)
Cash and cash equivalents - October 1	<u>14,182,248</u>
Cash and cash equivalents - September 30	<u><u>\$ 9,690,595</u></u>
 Reported as:	
Cash	\$ 260,343
Restricted cash	<u>9,430,252</u>
	<u><u>\$ 9,690,595</u></u>

(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, 2010
(Continued)**

	<u>Water and Sewer Utility</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ 2,750,352
Adjustments to reconcile operating income (loss) to net cash provided (used) by Operating Activities:	
Depreciation and amortization	1,368,231
(Increase)/Decrease in:	
Accounts receivables	(8,107)
Prepays and deposits	(8,054)
Other current assets	(7)
Increase/(Decrease) in:	
Accounts payable and accrued expenses	(51,958)
Customer deposits	(21,482)
Unearned revenue	(47,913)
Total adjustments	<u>1,230,710</u>
Net cash provided (used) by operating activities	<u><u>\$ 3,981,062</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 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.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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.

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, which were used to refund prior bonds and finance additional capital projects.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity (Continued)

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

Activity 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, golf course and recreation facilities, 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

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity (Continued)

Deferred Charges

In connection with the issuance of certain debt, the District incurred costs totaling \$1,432,873 and is being amortized over the life of the Bonds. At September 30, 2010, the District reported accumulated amortization of \$95,864. For the District's business-type activities, the District incurred costs totaling \$1,239,463 with accumulated amortization of \$49,623. In addition, Bond discounts on the debt are being amortized over the life of the respective Bonds. At September 30, 2010, the District's Bonds payable are reported net of unamortized discounts of \$249,788.

Deferred Amount on Refunding

For current refundings and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized using the effective interest 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.

In connection with the refunding, the deferred amount on the refunding was \$3,432,131 and is being amortized over the life of the Bonds. Accumulated amortization of the deferred amount is \$217,145 at September 30, 2010.

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.

Fund Equity/Net Assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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 third party or (statutory) limitations on their use.

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.

Reclassifications

Certain reclassifications have been made to the prior years' financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or retained earnings.

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, 2010:

	<u>Fair Value</u>	<u>Credit Risk</u>	<u>Maturities</u>
US Bank Commercial Paper manual sweep	\$ 3,833,425	A-1	N/A
Foreign repurchase agreement	<u>2,108,463</u>	Baa1	10/1/2010
Total Investments	<u><u>\$ 5,941,888</u></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 investments are not evidenced by securities that exist in a physical or book entry form.

Foreign credit risk - The District holds a foreign repurchase agreement through its brokerage firm with Bayerische Landesbank Girozentrale, which is not covered by the Federal Deposit Insurance Corporation (FDIC) but is insured by the MBIA insurance company. The value of this foreign repurchase agreement as of September 30, 2010 in US dollars was \$2,108,463.

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.

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables at September 30, 2010 were as follows:

Governmental Funds	Receivable	Payable
General	\$ 494,664	
Debt service		\$ 38,686
Debt service (Cascades)		2,502
Capital projects		193,965
Proprietary Funds		
Water and sewer		259,511
Total	<u>\$ 494,664</u>	<u>\$ 494,664</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. The balances between the general and utility fund are for services paid by the general fund to be reimbursed by the utility fund.

Interfund transfers for the fiscal year ended September 30, 2010 were as follows:

Governmental Funds	Transfers In	Transfers Out
General	\$ 505,886	\$ -
Debt service		14,570
Capital projects		53,563
Proprietary Funds		
Water and sewer		437,753
Total	<u>\$ 505,886</u>	<u>\$ 505,886</u>

Transfers are used to move revenues from the fund where collection occurs to the fund where funds have been reallocated for use. In the case of the District, the majority of transfers reflect that the general fund pays costs on behalf of the utility fund and is subsequently reimbursed by the utility fund.

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, 2010 are as follows:

Gross billed accounts receivable	\$	282,739
Gross unbilled accounts receivable		683,409
Uncollectibles		<u>(87,327)</u>
Net receivable	\$	<u><u>878,821</u></u>

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2010 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Construction in progress	\$ 34,766	\$ 499,708	\$ -	\$ 534,474
Total capital assets, not being depreciated	<u>34,766</u>	<u>499,708</u>	<u>-</u>	<u>534,474</u>
Capital assets, being depreciated				
Infrastructure	60,717,114	-	-	60,717,114
Equipment and furniture	1,166,951	74,351	-	1,241,302
Total capital assets, being depreciated	<u>61,884,065</u>	<u>74,351</u>	<u>-</u>	<u>61,958,416</u>
Less accumulated depreciation for:				
Infrastructure	(15,865,810)	(1,319,632)	-	(17,185,442)
Equipment and furniture	(729,608)	(100,335)	-	(829,943)
Total accumulated depreciation	<u>(16,595,418)</u>	<u>(1,419,967)</u>	<u>-</u>	<u>(18,015,385)</u>
Total capital assets, being depreciated, net	<u>45,288,647</u>	<u>(1,345,616)</u>	<u>-</u>	<u>43,943,031</u>
Governmental activities capital assets, net	<u>\$ 45,323,413</u>	<u>\$ (845,908)</u>	<u>\$ -</u>	<u>\$ 44,477,505</u>

Depreciation expense was charged to function/programs as follows:

General government	\$	85,199
Physical environment		667,384
Transportation		667,384
	\$	<u><u>1,419,967</u></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	1,907,168	1,657,862	(656,550)	2,908,480
Total capital assets, not being depreciated	3,107,168	1,657,862	(656,550)	4,108,480
Capital assets, being depreciated				
Infrastructure/Improvements	39,934,354	634,395	-	40,568,749
Equipment and furniture	1,565,379	81,809	-	1,647,188
Total capital assets, being depreciated	41,499,733	716,204	-	42,215,937
Less accumulated depreciation for:				
Infrastructure/Improvements	(11,993,667)	(1,140,720)	-	(13,134,387)
Equipment and furniture	(633,533)	(121,093)	-	(754,626)
Total accumulated depreciation	(12,627,200)	(1,261,813)	-	(13,889,013)
Total capital assets, being depreciated, net	28,872,533	(545,609)	-	28,326,924
Business-type activities capital assets, net	\$ 31,979,701	\$ 1,112,253	\$ (656,550)	\$ 32,435,404

NOTE 8 – LONG-TERM LIABILITIES**Series 1998**

On October 1, 1998, the District issued \$2,560,000 of Cascades Capital Improvement Revenue Bonds, Series 1998 due on May 1, 2018 with a fixed interest rate of 6.10%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest was to be paid semiannually on each May 1 and November 1. Principal on the Bonds was to be paid serially through May 1, 2018. The Series 1998 Bonds were refunded with the issuance of Cascades Capital Improvement Revenue Refunding Bonds, Series 2010.

Series 1999AB

On July 1, 1999, the District issued Series 1999 Water Management Benefit Special Assessment Refunding Bonds, which consist of \$27,375,000 Series 1999A Bonds due on May 1, 2025 with interest at varying rates of 3.5% to 5.25% and \$6,510,000 Series 1999B Bonds due on May 1, 2025 with interest at varying rates of 6% to 6.25%. Interest was to be paid semiannually on each May 1 and November 1. Principal on the Series 1999 Bonds was to be paid serially through May 1, 2025. The Series 1999 Bonds were refunded with the issuance of Water Management Benefit Special Assessment Refunding Bonds, Series 2010.

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, 2010.

NOTE 8 – LONG-TERM LIABILITIES (Continued)

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, 2010.

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, 2010.

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 price of the new debt exceeded the net carrying amount of the old debt by \$943,741. 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 \$211,117 at September 30, 2010. The transaction also resulted in an economic gain of \$2,627,396 and a reduction of approximately \$1,237,000 in future debt service payments.

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, 2010.

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 \$6,028 at September 30, 2010. The transaction also resulted in an economic gain of \$74,338 and a reduction of approximately \$21,000 in future debt service payments.

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Changes in long-term liability activity for the fiscal year ended September 30, 2010 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 1998	\$ 1,615,000	\$ -	\$ (1,615,000)	\$ -	\$ -
Series 1999A	20,605,000	-	(20,605,000)	-	-
Series 1999B	5,080,000		(5,080,000)	-	-
Series 2010	-	1,320,000	-	1,320,000	145,000
Series 2010 (Cascades)	-	23,680,000	(720,000)	22,960,000	1,115,000
Less: bond discounts	(281,012)	-	31,224	(249,788)	-
Less: deferred amount on refunding	(2,434,134)	(997,997)	217,145	(3,214,986)	-
Total bonds payable	24,584,854	24,002,003	(27,771,631)	20,815,226	1,260,000
Compensated absences	14,370	29,017	(31,559)	11,828	11,828
Total	<u>\$ 24,599,224</u>	<u>\$ 24,031,020</u>	<u>\$ (27,803,190)</u>	<u>\$ 20,827,054</u>	<u>\$ 1,271,828</u>
<u>Business-type activities</u>					
Bonds payable:					
Series 2000	\$ 26,225,000	\$ -	\$ (520,000)	\$ 25,705,000	\$ 550,000
Series 2004	11,445,000	-	-	11,445,000	-
Less: bond discounts	(182,643)	-	11,186	(171,457)	-
Less: deferred amount on refunding	(684,144)	-	45,610	(638,534)	-
Total bonds payable	36,803,213	-	(463,204)	36,340,009	550,000
Compensated absences	14,994	18,320	(18,015)	15,299	15,299
Total	<u>\$ 36,818,207</u>	<u>\$ 18,320</u>	<u>\$ (481,219)</u>	<u>\$ 36,355,308</u>	<u>\$ 565,299</u>

At September 30, 2010, the scheduled debt service requirements on the long-term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2011	\$ 1,260,000	\$ 1,034,344	\$ 2,294,344
2012	1,310,000	966,274	2,276,274
2013	1,370,000	911,652	2,281,652
2014	1,430,000	854,520	2,284,520
2015	1,490,000	794,878	2,284,878
2016 - 2020	8,085,000	2,993,237	11,078,237
2021 - 2025	9,335,000	1,215,571	10,550,571
Total	<u>\$24,280,000</u>	<u>\$ 8,770,476</u>	<u>\$ 33,050,476</u>

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Year ending September 30:	Business-type Activities		
	Principal	Interest	Total
2011	\$ 550,000	\$ 2,109,413	\$ 2,659,413
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 - 2020	4,115,000	9,090,675	13,205,675
2021 - 2025	5,500,000	7,603,350	13,103,350
2026 - 2030	7,400,000	5,583,937	12,983,937
2031 - 2035	9,055,000	2,993,413	12,048,413
2036 - 2039	8,005,000	625,000	8,630,000
Total	<u>\$37,150,000</u>	<u>\$ 36,086,888</u>	<u>\$ 73,236,888</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, 2010, the District received \$247,000 from the Reserve for purchases of 200 ERCs and \$427,065 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, 2010, the City remitted approximately \$1,650,000 stormwater fees to the District.

NOTE 10 – 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, 2010. 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 \$69,000 in the general fund and \$90,000 in the water and sewer fund for the fiscal year ended September 30, 2010. 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 11 – 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 12 – 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 13 – 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 14 – SUBSEQUENT EVENTS

Subsequent to September 30, 2010, FEMA approved the District's federal grant application and allocated approximately \$1 million of Hazard Mitigation Grant Program funding to the District for its stormwater system drainage project.

**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, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
REVENUES				
Assessments	\$ 1,140,911	\$ 1,080,939	\$ 1,091,013	\$ 10,074
Stormwater fees	1,472,340	1,619,591	1,660,682	41,091
Interest income	15,400	3,867	3,867	-
Miscellaneous revenue	43,104	10,852	11,679	827
Total revenues	<u>2,671,755</u>	<u>2,715,249</u>	<u>2,767,241</u>	<u>51,992</u>
EXPENDITURES				
Current:				
General government	824,977	615,600	410,301	205,299
Maintenance and operations	2,038,740	1,739,525	1,624,160	115,365
Capital outlay	96,500	131,000	115,349	15,651
Total expenditures	<u>2,960,217</u>	<u>2,486,125</u>	<u>2,149,810</u>	<u>336,315</u>
Excess (deficiency) of revenues over (under) expenditures	(288,462)	229,124	617,431	388,307
OTHER FINANCING SOURCES (USES)				
Transfer in from other fund	150,000	-	505,886	505,886
Use of fund balance	138,462	-	-	-
Total other financing sources (uses)	<u>288,462</u>	<u>-</u>	<u>505,886</u>	<u>505,886</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 229,124</u>	1,123,317	<u>\$ 894,193</u>
Fund balance - beginning			<u>1,266,173</u>	
Fund balance - ending			<u>\$ 2,389,490</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).

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, 2010 was amended to increase revenues by \$43,494, decrease appropriations by \$474,092, decrease transfer in from other funds by \$150,000 and decrease use of fund balance by \$138,462. The increase in revenue is primarily the result of greater than anticipated storm water fees being collected. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2010.

The variance between the original and final budgeted amounts, as well as the variance between the final budgeted and actual amounts, is a result of storm water and aquatics maintenance expenditures incurred less than budgeted.



**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, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 20, 2011. 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 to be material weakness as item 2010-1 and other deficiencies that we consider to be significant deficiencies as items 2010-2 and 2010-3, which were addressed in the accompanying report to management dated September 20, 2011.

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.

Gron & Associates

September 20, 2011



**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, 2010, and have issued our report thereon dated September 20, 2011.

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 September 20, 2011. 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.**

This report is intended for the information 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

September 20, 2011

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Material Weakness:

2010-1 Reconciliation and Review of Account Balances

Observation: During our audit, we noted that various accounts and supporting schedules required material adjustments. These included a \$4.4 million adjustment to net assets, a \$1.7 million adjustment to construction in progress and the underlying schedule, and a \$1.5 million adjustment to balance the individual funds.

Recommendation: The District should reconcile all ending balances to the general ledger on a periodic basis to ensure all balances are correct.

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.

Significant Deficiencies:

2010-2 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.

2010-3 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 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:

2009-01 Reconciliation and Review of Account Balances – matter is repeated in current year as finding 2010-1.

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

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

Significant Deficiencies:

2009-04 Capital Asset Inventory – matter is repeated in the current year as finding 2010-2.

2009-05 Journal Entries – matter is repeated in the current year as finding 2010-3.

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, 2009, 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.

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, 2010, 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, 2010, except as noted above.

REPORT TO MANAGEMENT (Continued)

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, 2010, 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, 2010 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.