

**ST. LUCIE WEST SERVICES DISTRICT
ST. LUCIE COUNTY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2013**

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

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet – Governmental Fund	10
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Fund	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Statement of Net Position – Proprietary Funds	14
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	15
Statement of Cash Flows – Proprietary Funds	16-17
Notes to the Financial Statements	18-31
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	32
Notes to Required Supplementary Information	33
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	34-35
MANAGEMENT LETTER REQUIRED BY CHAPTER 10.550 OF THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA	36-38



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, each major fund, and the 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, 2013, 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, each major fund and the remaining fund information of the District as of September 30, 2013, 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.

Emphasis of a Matter

As described in Note 2 to the financial statements, in fiscal year 2013, the District adopted new accounting guidance, Governmental Accounting Standards Board (“GASB”) Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*.

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 28, 2014, 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.

May 28, 2014

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, 2013. 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 \$42,993,592.
- The change in the District's total net position in comparison with the prior fiscal year was \$(41,399) a decrease. 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, 2013, the District's governmental funds reported combined ending fund balances of \$4,868,530 a decrease of (\$504,712) in comparison with the prior year. The total fund balance is restricted for debt service and capital projects, assigned for renewal and replacement, and the remainder is unassigned fund balance which is available for spending at the District's discretion.
- During fiscal year 2013, the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board ("FASB") and American Institute of Certified Public Accountants ("AICPA") Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Please see New Accounting Standards Adopted in Note 2 of the financial statements for additional information.

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.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Government-Wide Financial Statements (Continued)

Both of the government-wide financial statements distinguish functions of the District that are principally supported by assessments (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general (management), and physical environment. The business-type activities of the District include the Utility (water and sewer) operation.

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 debt service, and water management capital projects funds, all of which are considered to be major funds; and the Cascades 2010 debt service fund which is considered to be a non-major fund.

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

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

Proprietary Fund

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

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

Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net 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					
	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 4,419,159	\$ 5,220,594	\$ 6,925,994	\$ 2,528,788	\$11,345,153	\$ 7,749,382
Restricted assets	683,479	1,773,501	16,820,844	15,863,493	17,504,323	17,636,994
Capital assets, net of depreciation	43,331,934	44,231,421	31,543,361	30,560,909	74,875,295	74,792,330
Total assets	48,434,572	51,225,516	55,290,199	48,953,190	103,724,771	100,178,706
Deferred outflows of resources	480,216	-	437,858	-	918,074	-
Current liabilities	445,183	596,902	1,326,041	963,856	1,771,224	1,560,758
Long-term liabilities	19,906,172	18,736,365	39,971,857	34,968,465	59,878,029	53,704,830
Total liabilities	20,351,355	19,333,267	41,297,898	35,932,321	61,649,253	55,265,588
Net position						
Net investment in capital assets	23,922,162	26,729,946	(7,977,240)	(3,661,458)	15,944,922	23,068,488
Restricted	410,367	914,903	14,928,163	14,133,215	15,338,530	15,048,118
Unrestricted	4,230,904	4,247,400	7,479,236	2,549,112	11,710,140	6,796,512
Total net position	\$ 28,563,433	\$31,892,249	\$ 14,430,159	\$13,020,869	\$42,993,592	\$44,913,118

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, capital projects and for renewal and replacement projects.

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 decreased \$(2,183,535) and the net position of the business-type activities increased \$2,142,136 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, 2013 was \$7,598,899. 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. The increase in expenses is primarily due to the write off of previous deferred amounts on refunding which occurred when the bonds were refinanced.

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 increase in revenues is primarily due to large increase in the collection of impact fees in the current year. Expenses decreased from the prior fiscal year mainly due to prior year refunding activities which resulted in the write off of previous deferred amounts on refunding which occurred when the bonds were refinanced.

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	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 5,162,390	\$ 5,149,405	\$ 8,714,511	\$ 8,661,063	\$13,876,901	\$13,810,468
Operating grants and contributions						-
Capital grants and contributions	305,668	642,930	-	-	305,668	642,930
General revenues:						
Investment earnings	951	1,677	6,983	6,401	7,934	8,078
Other	4,579	37,663	726,780	57,399	731,359	95,062
Loss on sale of assets	(40,342)	-	-	-	(40,342)	-
Total revenues	5,433,246	5,831,675	9,448,274	8,724,863	14,881,520	14,556,538
Expenses:						
Governmental activities:						
General government	547,826	1,031,171	-	-	547,826	1,031,171
Physical environment	3,091,275	2,498,789	-	-	3,091,275	2,498,789
Interest	3,959,798	1,361,471	-	-	3,959,798	1,361,471
Business - type activities:						
Water and sewer utilities	-	-	5,913,757	7,404,069	5,913,757	7,404,069
Interest	-	-	1,410,263	1,219,250	1,410,263	1,219,250
Total expenses	7,598,899	4,891,431	7,324,020	8,623,319	14,922,919	13,514,750
Transfers	(17,882)		17,882		-	-
Change in net position	(2,183,535)	940,244	2,142,136	101,544	(41,399)	1,041,788
Net position - beginning, previously stated	31,892,249	30,952,005	13,020,869	12,919,325	44,913,118	43,871,330
Effect of adoption of GASB No. 65 (Note 2)	(1,145,281)	-	(732,846)	-	(1,878,127)	-
Net position - beginning, as restated	30,746,968	30,952,005	12,288,023	12,919,325	43,034,991	43,871,330
Net position - ending	\$ 28,563,433	\$31,892,249	\$ 14,430,159	\$13,020,869	\$42,993,592	\$44,913,118

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, 2013 was amended to increase revenues by \$65,393 and decrease appropriations by \$204,000.

Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2013.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2013, the District had \$65,424,076 invested in construction in progress, infrastructure, buildings and equipment and furniture, for its governmental activities. In the government-wide financial statements depreciation of \$22,092,142 has been taken, which resulted in a net book value of \$43,331,934. The District's business-type activities reported net capital assets of \$31,543,361. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Capital Debt

At September 30, 2013, the District had \$19,890,000 Bonds outstanding for its governmental activities. For business-type activities, the District had Bonds outstanding of \$39,985,000. 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 two fiscal years. The budget for fiscal year 2014 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 2014. 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, 2013**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,750,301	\$ 7,472,219	\$ 10,222,520
Restricted assets:			
Cash and cash equivalents	27,280	16,820,844	16,848,124
Investments	656,199	-	656,199
Accounts receivable, net	4,787	1,058,350	1,063,137
Assessments receivable	37,279	-	37,279
Internal balances	1,626,792	(1,626,792)	-
Prepaid items	-	17,482	17,482
Other current assets	-	4,735	4,735
Capital assets:			
Nondepreciable	1,873,359	4,051,400	5,924,759
Depreciable, net	41,458,575	27,491,961	68,950,536
Total assets	<u>48,434,572</u>	<u>55,290,199</u>	<u>103,724,771</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding (debit)	480,216	437,858	918,074
Total deferred outflows of resources	<u>480,216</u>	<u>437,858</u>	<u>918,074</u>
LIABILITIES			
Accounts payable and accrued expenses	115,098	463,898	578,996
Accrued interest payable	211,075	677,681	888,756
Unearned revenue	26,231	-	26,231
Customer deposits	92,779	184,462	277,241
Noncurrent liabilities:			
Due within one year	1,540,000	1,185,000	2,725,000
Due in more than one year	18,366,172	38,786,857	57,153,029
Total liabilities	<u>20,351,355</u>	<u>41,297,898</u>	<u>61,649,253</u>
NET POSITION			
Net investment in capital assets	23,922,162	(7,977,240)	15,944,922
Restricted for:			
Debt service	410,367	3,208,345	3,618,712
Capital projects	-	10,017,403	10,017,403
Renewal and replacement	-	1,702,415	1,702,415
Unrestricted	4,230,904	7,479,236	11,710,140
Total net position	<u>\$ 28,563,433</u>	<u>\$ 14,430,159</u>	<u>\$ 42,993,592</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, 2013**

Functions/Programs	Expenses	Program Revenues		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	\$ 547,826	\$ 547,826	\$ -	\$ -	\$ -	\$ -
Maintenance and operations	3,091,275	2,263,287	305,668	(522,320)	-	(522,320)
Interest on long-term debt	3,959,798	2,351,277	-	(1,608,521)	-	(1,608,521)
Total governmental activities	7,598,899	5,162,390	305,668	(2,130,841)		(2,130,841)
Business-type activities:						
Water and sewer utilities	5,913,757	7,495,261	-	-	1,581,504	1,581,504
Interest on long-term debt	1,410,263	1,219,250	-	-	(191,013)	(191,013)
Total business-type activities	7,324,020	8,714,511	-	-	1,390,491	1,390,491
Total	14,922,919	13,876,901	305,668	(2,130,841)	1,390,491	(740,350)
General revenues:						
Investment earnings				951	6,983	7,934
Miscellaneous				4,579	726,780	731,359
Loss on sale of assets				(40,342)	-	(40,342)
Total general revenues				(34,812)	733,763	698,951
Transfers				(17,882)	17,882	-
Change in net position				(2,183,535)	2,142,136	(41,399)
Net position - beginning, previously stated				31,892,249	13,020,869	44,913,118
Effect of adoption of GASB No. 65 (Note 2)				(1,145,281)	(732,846)	(1,878,127)
Net position - beginning, as restated				30,746,968	12,288,023	43,034,991
Net position - ending				\$ 28,563,433	\$ 14,430,159	\$ 42,993,592

See notes to the financial statements

**ST. LUCIE WEST SERVICES DISTRICT
ST. LUCIE COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	Major Funds			Nonmajor	Total Governmental Funds
	General	Water Management Debt Service	Water Management Capital Projects	Cascades 2010 Debt Service	
ASSETS					
Cash and cash equivalents	\$ 2,750,301	\$ -	\$ -	\$ -	\$ 2,750,301
Accounts receivable	4,787	-	-	-	4,787
Assessments receivable	12,448	23,162	-	1,669	37,279
Due from other funds	1,686,368	-	12	-	1,686,380
Restricted assets:					
Cash and cash equivalents	27,280	-	-	-	27,280
Investments	-	586,711	-	69,488	656,199
Total assets	<u>\$ 4,481,184</u>	<u>\$ 609,873</u>	<u>\$ 12</u>	<u>\$ 71,157</u>	<u>\$ 5,162,226</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued expenses	\$ 115,098	\$ -	\$ -	\$ -	\$ 115,098
Due to other funds	-	52,663	-	6,925	59,588
Deposits	92,779	-	-	-	92,779
Unearned revenue	26,231	-	-	-	26,231
Total liabilities	<u>234,108</u>	<u>52,663</u>	<u>-</u>	<u>6,925</u>	<u>293,696</u>
Fund balances:					
Restricted for:					
Debt service	-	557,210	-	64,232	621,442
Capital projects	-	-	12	-	12
Assigned:					
Renewal and replacement	551,068	-	-	-	551,068
Unassigned	3,696,008	-	-	-	3,696,008
Total fund balances	<u>4,247,076</u>	<u>557,210</u>	<u>12</u>	<u>64,232</u>	<u>4,868,530</u>
Total liabilities and fund balances	<u>\$ 4,481,184</u>	<u>\$ 609,873</u>	<u>\$ 12</u>	<u>\$ 71,157</u>	<u>\$ 5,162,226</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, 2013**

Fund balance - governmental funds \$ 4,868,530

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	65,424,076	
Accumulated depreciation	<u>(22,092,142)</u>	43,331,934

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.

480,216

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	(211,075)	
Bonds payable	(19,890,000)	
Compensated absences	<u>(16,172)</u>	<u>(20,117,247)</u>

Net position of governmental activities		<u>\$ 28,563,433</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, 2013**

	Major Funds			Nonmajor	Total Governmental Funds
	General	Water Management Debt Service	Water Management Capital Projects	Cascades 2010 Debt Service	
REVENUES					
Special assessments	\$ 1,137,602	\$ 2,153,787	\$ -	\$ 197,490	\$ 3,488,879
Stormwater fees	1,673,511	-	-	-	1,673,511
Investment earnings	10	749	120	72	951
Grant revenue	305,668	-	-	-	305,668
Miscellaneous	4,579	-	-	-	4,579
Total revenues	<u>3,121,370</u>	<u>2,154,536</u>	<u>120</u>	<u>197,562</u>	<u>5,473,588</u>
EXPENDITURES					
Current:					
General government	461,447	-	-	-	461,447
Maintenance and operations	1,765,756	-	-	-	1,765,756
Debt service:					
Interest expense	-	867,428	-	39,091	906,519
Principal expense	-	1,645,000	-	155,000	1,800,000
Bond issue costs	-	319,169	-	7,817	326,986
Capital outlay	566,059	-	133,651	-	699,710
Total expenditures	<u>2,793,262</u>	<u>2,831,597</u>	<u>133,651</u>	<u>201,908</u>	<u>5,960,418</u>
Excess (deficiency) of revenues over (under) expenditures	328,108	(677,061)	(133,531)	(4,346)	(486,830)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	58,335	-	58,335
Transfers (out)	(76,217)	-	-	-	(76,217)
Bond proceeds	-	19,025,000	-	-	19,025,000
Payment to refunded bond escrow agent	-	(19,025,000)	-	-	(19,025,000)
Total other financing sources (uses)	<u>(76,217)</u>	<u>-</u>	<u>58,335</u>	<u>-</u>	<u>(17,882)</u>
Net change in fund balances	251,891	(677,061)	(75,196)	(4,346)	(504,712)
Fund balances - beginning	<u>3,995,185</u>	<u>1,234,271</u>	<u>75,208</u>	<u>68,578</u>	<u>5,373,242</u>
Fund balances - ending	<u>\$ 4,247,076</u>	<u>\$ 557,210</u>	<u>\$ 12</u>	<u>\$ 64,232</u>	<u>\$ 4,868,530</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, 2013**

Net change in fund balances - total governmental funds	\$ (504,712)
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.	699,710
Depreciation of capital assets is not recognized in the governmental fund statements but is reported as an expense in the statement of activities.	(1,410,127)
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.	(19,025,000)
In connection with the issuance of refunding Bonds certain amounts transferred to the escrow agent are reported as a financing use when debt is first issued, whereas these amounts are eliminated in the statement of activities and reduce long-term liabilities in the statement of net position.	19,025,000
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.	(122,468)
Disposal of capital assets do not require the use of current financial resources and are not reported as expenditures in the funds	(40,342)
Governmental funds do not report the write off of previous deferred amounts on refunding of bonds. While these amounts are recognized on the statement of activities.	(2,780,696)
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.	1,800,000
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	(1,771)
Change in accrued interest	176,871
Change in net position of governmental activities	\$ (2,183,535)

See notes to the financial statements

**ST. LUCIE WEST SERVICES DISTRICT
ST. LUCIE COUNTY, FLORIDA
STATEMENT OF NET POSITION - PROPRIETARY FUND
SEPTEMBER 30, 2013**

	Water and Sewer Utility
ASSETS	
Current assets:	
Unrestricted:	
Cash and cash equivalents	\$ 7,472,219
Accounts receivable, net of allowance for uncollectibles	1,058,350
Assessments receivable	
Prepaid expenses	17,482
Other	4,735
Restricted:	
Cash and cash equivalents	16,820,844
Total current assets	25,373,630
Noncurrent assets:	
Capital assets:	
Land	1,200,000
Building	298,026
Construction in progress	2,851,400
Infrastructure	42,816,817
Equipment and furniture	2,068,854
Less accumulated depreciation	(17,691,736)
Total capital assets, net of accumulated depreciation	31,543,361
Total noncurrent assets	31,543,361
Total assets	56,916,991
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	437,858
Total deferred outflows of resources	437,858
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	463,898
Due to other funds	1,626,792
Liabilities payable from restricted assets:	
Customer deposits	184,462
Current portion of long-term debt	1,215,000
Interest payable	677,681
Total current liabilities	4,167,833
Noncurrent liabilities:	
Long-term debt	38,756,857
Total noncurrent liabilities	38,756,857
Total liabilities	42,924,690
NET POSITION	
Invested in capital assets	(7,977,240)
Restricted for:	
Debt service	3,208,345
Capital projects and other	10,017,403
Renewal and replacement	1,702,415
Unrestricted	7,479,236
Total net position	14,430,159
Total net position and liabilities	\$ 57,354,849

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, 2013**

	Water and Sewer Utility
OPERATING REVENUES	
Charges for sales and services:	
Charges for water and sewer services	\$ 8,102,276
Late fees	102,283
Bulk water sales	487,605
Other	22,347
Total operating revenues	8,714,511
OPERATING EXPENSES	
Personnel services	1,921,592
Contractual services	543,836
Water and sewer operations	1,965,610
Repairs and maintenance	119,589
Rent and leases	2,633
Depreciation	1,335,109
Amortization	25,388
Total operating expense	5,913,757
Operating income (loss)	2,800,754
NON OPERATING REVENUES (EXPENSES)	
Impact fees	726,780
Interest revenue	6,983
Interest expense	(1,410,263)
Total non operating revenue (expenses)	(676,500)
OPERATING TRANSFERS	17,882
Change in net position	2,142,136
Total net position - beginning, previously stated	13,020,869
Effect of adoption of GASB No. 65 (Note 2)	(732,846)
Total net position (deficit) - beginning, as restated	12,288,023
Total net position - ending	\$ 14,430,159

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, 2013**

	<u>Water and Sewer Utility</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers and users	\$ 8,865,244
Payments to suppliers of goods and services	(4,062,538)
Net cash provided (used) by operating activities	<u>4,802,706</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Due to/from other funds	259,077
Transfers (to)/from other funds	17,882
Net cash provided (used) by noncapital financing activities	<u>276,959</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Impact fees	726,780
Purchases of capital assets	(2,317,415)
Principal paid on debt	(930,000)
Proceeds from long-term debt	5,470,000
Interest paid on debt	(1,365,547)
Net cash provided (used) by capital and related financing activities	<u>1,583,818</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Sale of investments	-
Interest earnings	6,983
Transfer from State Investment Pool	-
Net cash provided (used) by investing activities	<u>6,983</u>
Net increase (decrease) in cash and cash equivalents	6,670,466
Cash and cash equivalents - October 1	<u>17,622,597</u>
Cash and cash equivalents - September 30	<u>\$ 24,293,063</u>
Reported as:	
Cash	\$ 7,472,219
Restricted cash	16,820,844
	<u>\$ 24,293,063</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, 2013
(Continued)**

	<u>Water and Sewer Utility</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ 2,800,754
Adjustments to reconcile operating income (loss) to net cash provided (used) by Operating Activities:	
Depreciation and amortization	1,360,497
(Increase)/Decrease in:	
Accounts receivables	133,584
Prepays and deposits	190,402
Increase/(Decrease) in:	
Accounts payable and accrued expenses	300,320
Customer deposits	17,149
Total adjustments	<u>2,001,952</u>
Net cash provided (used) by operating activities	<u>\$ 4,802,706</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)

Water Management Capital Project Fund

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

The District reports the following nonmajor governmental funds:

Cascades 2010 Debt Service Fund

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

The District reports the following major proprietary 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.

The financial statements of the District follow the guidance of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board (“FASB”) and American Institute of Certified Public Accountants (“AICPA”) Pronouncements* for both the government-wide and proprietary fund financial statements. The District has the option of following subsequent private-sector guidance, issued after November 30, 1989, for their business-type activities and enterprise funds that does not conflict or contradict with GASB pronouncements. 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.

New Accounting Standards Adopted

During fiscal year 2013, the District adopted three new accounting standards as follows:

GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements

This Statement incorporates into the GASB’s authoritative literature certain guidance that previously could only be found in certain FASB and AICPA pronouncements issued on or before November 30, 1989 and eliminates the selection to apply post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Standards Adopted (Continued)

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources (previously reported as assets and liabilities) into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities

This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

The implementation of GASB 65 resulted in the write off of Bond issuance costs and the effect of adoption of GASB 65 is the reduction of beginning net position by \$1,145,281 of the governmental activities and \$732,846 of the business-type activities.

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, impact fees, renewal and replacement which have been restricted by the bond indentures or 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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Receivables and Payables

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

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

Capital Assets

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

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

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

<u>Assets</u>	<u>Years</u>
Infrastructure 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.

Unearned Revenue

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

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Long-Term Obligations (Continued)

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

The statement of net position reports, as applicable, a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future reporting period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. For example, the District would record deferred outflows of resources 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).

The statement of net position reports, as applicable, a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For example, when an asset is recorded in the governmental fund financial statements, but the revenue is not available, the District reports a deferred inflow of resources 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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Fund Equity/Net Position (Continued)

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

Other Disclosures

Use of Estimates

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

NOTE 3 – BUDGETARY INFORMATION

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

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

- a) Each year the 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 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.

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Investments

The District's investments were held as follows at September 30, 2013:

Investment	Fair Value	Credit Risk	Maturities
US Bank Commercial Paper Manual Sweep	\$ 656,199	A-1	N/A
Total Investments	\$ 656,199		

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

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

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

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

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at September 30, 2013 were as follows:

Governmental Funds	Receivable	Payable
General	\$ 1,686,368	\$ -
Debt service		52,663
Debt service (Cascades)		6,925
Capital projects	12	
Proprietary Funds		
Water and sewer		1,626,792
Total	\$ 1,686,380	\$ 1,686,380

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

NOTE 6 – RECEIVABLES

Revenues in the water and sewer fund are reported net of uncollectible amounts. Total accounts receivable and uncollectible amounts at September 30, 2013 are as follows:

Gross billed accounts receivable	\$ 467,506
Gross unbilled accounts receivable	719,844
Uncollectibles	(129,000)
Net receivable	\$ 1,058,350

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Construction in progress	\$ 1,922,080	\$ 438,446	\$ (487,167)	\$ 1,873,359
Total capital assets, not being depreciated	<u>1,922,080</u>	<u>438,446</u>	<u>(487,167)</u>	<u>1,873,359</u>
Capital assets, being depreciated				
Buildings	234,167	34,547	-	268,714
Infrastructure	61,529,896	452,620	-	61,982,516
Equipment and furniture	1,335,678	112,536	(148,728)	1,299,487
Total capital assets, being depreciated	<u>63,099,741</u>	<u>599,703</u>	<u>(148,728)</u>	<u>63,550,717</u>
Less accumulated depreciation for:				
Buildings	(9,393)	(8,299)	-	(17,692)
Infrastructure	(19,834,151)	(1,342,376)	-	(21,176,527)
Equipment and furniture	(946,856)	(59,452)	108,385	(897,923)
Total accumulated depreciation	<u>(20,790,400)</u>	<u>(1,410,127)</u>	<u>108,385</u>	<u>(22,092,142)</u>
Total capital assets, being depreciated, net	<u>42,309,341</u>	<u>(810,424)</u>	<u>(40,342)</u>	<u>41,458,575</u>
Governmental activities capital assets, net	<u>\$ 44,231,421</u>	<u>\$ (371,978)</u>	<u>\$ (527,509)</u>	<u>\$ 43,331,934</u>

Depreciation expense was charged to function/programs as follows:

General government	\$ 84,608
Maintenance and operations	1,325,519
	<u>\$ 1,410,127</u>

NOTE 7 – CAPITAL ASSETS (Continued)

Capital asset activity for the fiscal year ended September 30, 2013 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	771,206	2,257,038	(176,844)	2,851,400
Total capital assets, not being depreciated	1,971,206	2,257,038	(176,844)	4,051,400
Capital assets, being depreciated				
Buildings	266,667	31,359	-	298,026
Infrastructure/Improvements	42,655,652	161,165	-	42,816,817
Equipment and furniture	2,024,012	70,019	(25,177)	2,068,854
Total capital assets, being depreciated	44,946,331	262,543	(25,177)	45,183,697
Less accumulated depreciation for:				
Buildings	(13,817)	(9,002)	-	(22,819)
Infrastructure/Improvements	(15,274,433)	(1,194,916)	-	(16,469,349)
Equipment and furniture	(1,068,378)	(148,832)	17,642	(1,199,567)
Total accumulated depreciation	(16,356,628)	(1,352,750)	17,642	(17,691,736)
Total capital assets, being depreciated, net	28,589,703	(1,090,207)	(7,535)	27,491,961
Business-type activities capital assets, net	\$ 30,560,909	\$ 1,166,831	\$ (184,379)	\$ 31,543,361

Outstanding commitments related to various construction projects was approximately \$608,000 as of September 30, 2013.

NOTE 8 – LONG-TERM LIABILITIES

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, 2013.

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.

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Series 2010 (Continued)

In April 2013, the District issued Water Management Benefit Special Assessment Refunding Bonds, Series 2013. The refunding resulted in a difference in cash flows required to pay the respective debt service of \$2,417,834 and resulted in an economic gain of \$1,982,659. The refunded Bonds were paid in full as of September 30, 2013.

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, 2013.

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 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, 2013.

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, 2013.

The Series 2013 Bonds were issued for a current refunding of the Water Management Benefit Special Assessment Bonds, Series 2010. The refunding was undertaken to reduce total future debt service payments. The Series 2013 deferred amount on refunding is \$480,216 will be reflected in the financial statements as a deferred outflow of resources. This amount will be amortized over the life of the Bonds.

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Utility Revenue, Series 2013

On April 24, 2013, the District issued \$5,470,000 of Utility Revenue 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, 2013.

Long-term debt activity

Changes in long-term liability activity for the fiscal year ended September 30, 2013 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2010	\$ 20,670,000	\$ -	\$(20,670,000)	\$ -	\$ -
Series 2010 (Cascades)	1,020,000	-	(155,000)	865,000	160,000
Series 2013	-	19,025,000	-	19,025,000	1,380,000
Less: bond discounts	(187,340)	-	187,340	-	-
Total bonds payable	21,502,660	19,025,000	(20,637,660)	19,890,000	1,540,000
Compensated absences	14,401	25,378	(23,607)	16,172	-
Total	\$ 21,517,061	\$ 19,050,378	\$(20,661,267)	\$ 19,906,172	\$ 1,540,000
<u>Business-type activities</u>					
Bonds payable:					
Series 2004	\$ 11,445,000	\$ -	\$ -	\$ 11,445,000	\$ -
Series 2011	24,000,000	-	(930,000)	23,070,000	960,000
Series 2013	-	5,470,000	-	5,470,000	225,000
Less: bond discounts	(27,603)	-	1,062	(26,541)	-
Total bonds payable	35,417,397	5,470,000	(928,938)	39,958,459	1,185,000
Compensated absences	13,252	35,191	(35,045)	13,398	-
Total	\$ 35,430,649	\$ 5,505,191	\$ (963,983)	\$ 39,971,857	\$ 1,185,000

At September 30, 2013, the scheduled debt service requirements on the long-term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2014	\$ 1,540,000	\$ 506,579	\$ 2,046,579
2015	1,580,000	457,749	2,037,749
2016	1,625,000	416,956	2,041,956
2017	1,665,000	374,812	2,039,812
2018	1,710,000	331,680	2,041,680
2019-2023	8,200,000	1,045,540	9,245,540
2024-2025	3,570,000	131,150	3,701,150
Total	\$ 19,890,000	\$ 3,264,466	\$ 23,154,466

NOTE 8 – LONG-TERM LIABILITIES (Continued)**Long-term debt activity (Continued)**

Year ending September 30:	Business-type Activities		
	Principal	Interest	Total
2014	\$ 1,185,000	\$ 1,342,331	\$ 2,527,331
2015	1,215,000	1,309,504	2,524,504
2016	1,250,000	1,275,842	2,525,842
2017	1,290,000	1,241,204	2,531,204
2018	1,320,000	1,205,468	2,525,468
2019-2023	7,175,000	5,457,571	12,632,571
2024-2028	8,225,000	4,406,415	12,631,415
2029-2033	7,525,000	3,246,199	10,771,199
2034-2038	10,800,000	1,518,163	12,318,163
Total	<u>\$39,985,000</u>	<u>\$ 21,002,696</u>	<u>\$ 60,987,696</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 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 the current 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. As of September 30, 2013, the District received \$1,117,605 from the Reserve for purchases for the water and sewer services.

The District entered an interlocal agreement with the City of Port St. Lucie (the City) for maintenance of the stormwater management system in 1996. The City levies stormwater fees and then charges the District a 25% fee for administrative charges and maintaining main lines for storm runoff and remits the remaining 75% of stormwater fees collected from the District’s residents to the District for maintenance of the stormwater facilities owned by the District. For the year ended September 30, 2013, the City remitted approximately \$1,673,500 fees to the District.

NOTE 10 – FEDERAL/STATE GRANTS

On June 23, 2011, the District entered into another grant contract for the same grant program project relating to the District’s storm water system drainage project phase II. The total project cost is \$1,177,012. The federal share is \$882,759, which is 75% of the total project cost. The District share is \$294,253, which is 25% of the total project cost. \$52,185 phase II expenditures subject to grant reimbursement occurred during the fiscal year 2011, \$779,805 phase II expenditures subject to grant reimbursement occurred in the fiscal year 2012. The District received grant reimbursement of \$513,189 during fiscal year 2012. During the current fiscal year, the District received the last reimbursement payment related to this contract in the amount of \$266,616.

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, 2013. 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 \$82,000 in the general fund and \$117,000 in the water and sewer fund for the fiscal year ended September 30, 2013. The District, at its sole discretion, has the authority to terminate these pension plans; however, the District does not have the intention to do so.

NOTE 12 – MANAGEMENT COMPANY

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

NOTE 13 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and environmental remediation. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

**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, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Assessments	\$ 1,123,276	\$ 1,146,598	\$ 1,137,602	\$ (8,996)
Stormwater fees	1,644,085	1,673,512	1,673,511	(1)
Grant revenue	-		305,668	305,668
Interest income	-	10	10	-
Miscellaneous revenue	13,125	25,759	4,579	(21,180)
Total revenues	<u>2,780,486</u>	<u>2,845,879</u>	<u>3,121,370</u>	<u>275,491</u>
EXPENDITURES				
Current:				
General government	1,076,159	1,049,036	461,447	587,589
Maintenance and operations	1,620,465	1,443,588	1,765,756	(322,168)
Capital outlay	506,164	506,164	566,059	(59,895)
Total expenditures	<u>3,202,788</u>	<u>2,998,788</u>	<u>2,793,262</u>	<u>205,526</u>
Excess (deficiency) of revenues over (under) expenditures	(422,302)	(152,909)	328,108	481,017
OTHER FINANCING SOURCES (USES)				
Transfer (out)	-	-	(76,217)	(76,217)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(76,217)</u>	<u>(76,217)</u>
Net change in fund balances	<u>\$ (422,302)</u>	<u>\$ (152,909)</u>	251,891	<u>\$ 404,800</u>
Fund balance - beginning			<u>3,995,185</u>	
Fund balance - ending			<u>\$ 4,247,076</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. 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, 2013 was amended to increase revenues by \$65,393 and decrease appropriations by \$204,000.

Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2013.



**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, each major fund, and the remaining fund information of St. Lucie West Services District, St. Lucie County, Florida ("District") as of and for the fiscal year ended September 30, 2013, 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 28, 2014, which includes an emphasis of matter paragraph.

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 28, 2014



**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, 2013, and have issued our report thereon dated May 28, 2014, which includes an emphasis of matter paragraph.

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. 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 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 Chapter 10.550, Rules of the Florida Auditor General dated May 28, 2014. Disclosures in that report should be considered in conjunction with this management 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 28, 2014

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS AND CURRENT YEAR STATUS

Material Weakness:

2012-1 Reconciliation and Review of Account Balances – matter is resolved.

Significant Deficiencies:

2012-2 Capital Asset Inventory – The matter is resolved.

2011-2 Capital Asset Inventory – The matter is resolved.

2010-2 Capital Asset Inventory – The matter is resolved.

REPORT TO MANAGEMENT (Continued)

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, 2012.

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, 2013.

4. 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, 2013.

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

6. 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, 2013 financial audit report.

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

8. We applied financial condition assessment procedures pursuant to Rule 10.556(7) and no deteriorating financial conditions were noted as of September 30, 2013. 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.