

# **Financial Report**

**September 30, 2020**

## **Holly Hill Road East Community Development District**

	<u>Page</u>
<b>I. Financial Section:</b>	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet - Governmental Funds	9
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds to the Statement of Activities	11
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	12
Notes to Financial Statements	13
<b>II. Compliance Section:</b>	
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 <i>Government Auditing Standards</i>	23
Management Comments	24
Independent Auditor's Report on Compliance with the Requirements of Section 218.415, Florida Statutes	26

## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
*Holly Hill Road East Community Development District*

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the *Holly Hill Road East Community Development District* (the "District"), as of and for the fiscal year ended September 30, 2020, 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**

The District's 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 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 principles 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 and each major fund of the *Holly Hill Road East Community Development District* as of September 30, 2020, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis starting on page 3, 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 a report dated June 23, 2021, on our consideration of the *Holly Hill Road East Community Development District's* internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

*McDermitt Davis*

Orlando, Florida

June 23, 2021

Our discussion and analysis of the *Holly Hill Road East Community Development District* (the "District") financial accomplishments provide an overview of the District's financial activities for the year ended September 30, 2020. Please read it in conjunction with the District's Independent Auditor's Report, financial statements and accompanying notes.

This information is being presented to provide additional information regarding the activities of the District and to meet the disclosure requirements of Government Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued June 1999.

### **Financial Highlights**

- The assets of the District exceeded its liabilities at September 30, 2020 by \$729,803, an increase in net position of \$498,249 in comparison with the prior year.
- At September 30, 2020, the District's governmental funds reported fund balances of \$2,247,099, an increase of \$1,804,593 in comparison with the prior year.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the *Holly Hill Road East Community Development District's* financial statements. The District's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements.

### **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 of the District's assets and liabilities, with the difference between the two 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.

The government-wide financial statements include all governmental activities that are principally supported by special assessment revenues. The District does not have any business-type activities. The governmental activities of the District include general government and physical environment.

### **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 one fund category: Governmental 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Holly Hill Road East Community Development District  
**Management's Discussion and Analysis**

---

The District maintains three individual governmental funds. 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 fund, debt service fund and capital projects fund, which are considered to be major funds.

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

**Notes to 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**

*Statement of Net Position*

The District's net position was \$729,803 at September 30, 2020. The following analysis focuses on the net position of the District's governmental activities.

	<u>2020</u>	<u>2019</u>
Assets, excluding capital assets	\$ 3,403,440	\$ 475,209
Capital assets, net of depreciation	<u>11,147,674</u>	<u>6,771,215</u>
<b>Total assets</b>	<u>14,551,114</u>	<u>7,246,424</u>
Liabilities, excluding long-term liabilities	1,387,371	127,217
Long-term liabilities	<u>12,433,940</u>	<u>5,884,965</u>
<b>Total liabilities</b>	<u>13,821,311</u>	<u>6,012,182</u>
Net Position:		
Net investment in capital assets	(1,286,266)	1,053,141
Restricted for debt service	725,845	114,323
Restricted for capital projects	1,207,362	11,410
Unrestricted	<u>82,892</u>	<u>55,368</u>
<b>Total net position</b>	<u>\$ 729,833</u>	<u>\$ 1,234,242</u>

Holly Hill Road East Community Development District  
**Management's Discussion and Analysis**

*Changes to Net Position*

The following is a summary of the District's governmental activities for the year ended September 30, 2020 and 2019.

Changes in Net Position

	<u>2020</u>	<u>2019</u>
Revenues:		
Program revenues	\$ 663,115	\$ 1,840,948
General revenues	<u>2,798</u>	<u>500</u>
<b>Total revenues</b>	<u>665,913</u>	<u>1,841,448</u>
Expenses:		
General government	610,405	296,453
Culture and recreation	99,988	36,627
Physical environment	62,792	24,991
Developer reimbursement	-	226,117
Interest on long-term debt	<u>390,977</u>	<u>280,828</u>
<b>Total expenses</b>	<u>1,164,162</u>	<u>865,016</u>
<b>Change in net position</b>	(498,249)	976,432
Net position, beginning of year, as restated	<u>1,228,052</u>	<u>257,810</u>
<b>Net position, ending</b>	<u>\$ 729,803</u>	<u>\$ 1,234,242</u>

As noted above and in the statement of activities, the cost of all governmental activities during the year ended September 30, 2020 was \$1,164,162, the majority were general government expenses.

**Financial Analysis of the Government's Funds**

The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At September 30, 2020, the District's governmental funds reported combined ending fund balances of \$2,247,099. Of this total, \$24,927 is nonspendable, \$2,164,237 is restricted, and the remainder of \$57,935 is unassigned.

The fund balance of the general fund increased \$27,965. The debt service fund increased \$557,958 due to bonds issued and the capital projects fund increased \$1,218,670 due to bonds issued.

**General Fund Budgetary Highlights**

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget to actual comparison for the general fund, including the original budget and final adopted budget, is shown on page 10. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. There were no budget amendments during the year. The legal level of budgetary control is at the fund level.

**Capital Asset and Debt Administration**

*Capital Assets*

At September 30, 2020, the District had \$11,147,674 invested in land and infrastructure, net of accumulated depreciation. More detailed information about the District's capital assets is presented in the notes to financial statements.

*Capital Debt*

At September 30, 2020, the District had \$12,245,000 in bonds outstanding, \$101,361 of leases outstanding and \$216,690 due to the developer. More detailed information about the District's capital debt is presented in the notes to financial statements.

**Requests for Information**

If you have questions about this report or need additional financial information, contact the *Holly Hill Road East Community Development District's* Finance Department at 6200 Lee Vista Boulevard, Suite 300, Orlando, Florida 32822.



## FINANCIAL STATEMENTS

Holly Hill Road East Community Development District  
**Statement of Net Position**  
September 30, 2020

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash	\$ 79,069
Account receivables	766
Due from developer	30
Prepaid costs	23,767
Deposits	1,160
Restricted Assets:	
Temporarily restricted investments	3,298,648
Capital Assets:	
Capital assets not being depreciated	11,055,837
Capital assets being depreciated, net	91,837
<b>Total assets</b>	<b>14,551,114</b>
<b>Liabilities:</b>	
Accounts payable and accrued expenses	1,156,341
Accrued interest payable	231,030
Noncurrent Liabilities:	
Due within one year	119,757
Due in more than one year	12,314,183
<b>Total liabilities</b>	<b>13,821,311</b>
<b>Net Position:</b>	
Net investment in capital assets	(1,286,266)
Restricted for debt service	725,845
Restricted for capital projects	1,207,362
Unrestricted	82,862
<b>Net position</b>	<b>\$ 729,803</b>

Holly Hill Road East Community Development District  
**Statement of Activities**  
Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government	\$ 610,405	\$ 216,124	\$ -	\$ -	\$ (394,281)
Culture and recreation	99,988	66,137	-	-	(33,851)
Physical environment	62,792	22,233	-	-	(40,559)
Roads and streets	-	-	-	-	-
Interest on long-term debt	390,977	358,621	-	-	(32,356)
<b>Total governmental activities</b>	<b>\$ 1,164,162</b>	<b>\$ 663,115</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(501,047)</b>
General Revenues:					
Investment income					2,798
<b>Change in net position</b>					(498,249)
Net position, beginning					1,234,242
Prior period adjustment					(6,190)
<b>Net position - ending</b>					<b>\$ 729,803</b>

Holly Hill Road East Community Development District  
**Balance Sheet**  
**Governmental Funds**  
September 30, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash	\$ 78,069	\$ -	\$ 1,000	\$ 79,069
Investments	-	956,398	2,342,250	3,298,648
Accounts receivable	289	477	-	766
Due from developer	-	-	30	30
Prepaid costs	23,767	-	-	23,767
Deposits	1,160	-	-	1,160
<b>Total assets</b>	<u>\$ 103,285</u>	<u>\$ 956,875</u>	<u>\$ 2,343,280</u>	<u>\$ 3,403,440</u>
<b>Liabilities and Fund Balances:</b>				
Liabilities:				
Accounts payable and accrued expenses	\$ 20,423	\$ -	\$ 989,731	\$ 1,010,154
Retainage payable	-	-	146,187	146,187
<b>Total liabilities</b>	<u>20,423</u>	<u>-</u>	<u>1,135,918</u>	<u>1,156,341</u>
Fund Balances:				
Nonspendable	24,927	-	-	24,927
Restricted for				
Debt service	-	956,875	-	956,875
Capital projects	-	-	1,207,362	1,207,362
Unassigned	57,935	-	-	57,935
<b>Total fund balances</b>	<u>82,862</u>	<u>956,875</u>	<u>1,207,362</u>	<u>2,247,099</u>
<b>Total liabilities and fund balances</b>	<u>\$ 103,285</u>	<u>\$ 956,875</u>	<u>\$ 2,343,280</u>	

**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 in the funds. 11,147,674

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

Accrued interest payable	(231,030)	
Bonds payable	(12,245,000)	
Leases payable	(101,361)	
Due to developer	(216,690)	
Bond discounts	129,111	(12,664,970)
<b>Net position of governmental activities</b>		<u>\$ 729,803</u>

Holly Hill Road East Community Development District  
**Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Governmental Funds**  
Year Ended September 30, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Assessment revenue	\$ 273,759	\$ 358,621	\$ -	\$ 632,380
Investment income	333	2,434	31	2,798
Intergovernmental	30,735	-	-	30,735
<b>Total revenues</b>	<u>304,827</u>	<u>361,055</u>	<u>31</u>	<u>665,913</u>
<b>Expenditures:</b>				
Current:				
General government	110,468	-	488,578	599,046
Maintenance and operations	62,792	-	-	62,792
Culture and recreation	79,580	-	-	79,580
Debt Service:				
Interest	5,868	258,357	-	264,225
Principal	17,074	125,000	295,965	438,039
Capital Outlay	22,525	-	4,284,622	4,307,147
<b>Total expenditures</b>	<u>298,307</u>	<u>383,357</u>	<u>5,069,165</u>	<u>5,750,829</u>
<b>Excess (deficit) of revenues over expenditures</b>	6,520	(22,302)	(5,069,134)	(5,084,916)
<b>Other financing sources (uses)</b>				
Leases	22,525	-	-	22,525
Bonds issued	-	580,260	6,404,740	6,985,000
Discount on bonds issued	-	-	(118,016)	(118,016)
Transfers in	-	-	1,080	1,080
Transfers out	(1,080)	-	-	(1,080)
<b>Total other financing sources</b>	<u>21,445</u>	<u>580,260</u>	<u>6,287,804</u>	<u>6,889,509</u>
<b>Net change in fund balances</b>	27,965	557,958	1,218,670	1,804,593
Fund balances, beginning of year	54,897	398,917	(11,308)	442,506
<b>Fund balances, end of year</b>	<u>\$ 82,862</u>	<u>\$ 956,875</u>	<u>\$ 1,207,362</u>	<u>\$ 2,247,099</u>

Holly Hill Road East Community Development District  
**Reconciliation of The Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to  
The Statement of Activities**  
Year Ended September 30, 2020

---

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds		\$ 1,804,593
Governmental Funds report outlays for Capital Assets as expenditures because such outlays use current financial resources; however, in the statement of net position the cost of those assets is recorded as capital assets.		4,307,147
Depreciation on capital assets is not recognized in the governmental fund statement; however, it is reported as an expense in the statement of activities.		(20,408)
Revenue reported in the funds must be eliminated from the statement of activities since revenue was recognized in a prior year.		(11,359)
Proceeds from issuance of bonds and leases are reported as fund sources in governmental funds and an increase to long-term liabilities in the statement of net position. Bond Discounts from issuance of bonds are reported as fund uses in governmental funds and a decrease to long-term liabilities in the statement of net position.		
Proceeds from issuance of bonds	(6,985,000)	
Proceeds from issuance of leases	(22,525)	
Bond discount on issuance of bonds	<u>118,016</u>	(6,889,509)
Repayments of long-term liabilities are reported as expenditures in governmental funds, while repayments reduce long-term liabilities in the statement of net position.		438,039
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 accrued interest	(125,157)	
Amortization of bond discount	<u>(1,595)</u>	<u>(126,752)</u>
Change in net position of governmental activities		<u>\$ (498,249)</u>

Holly Hill East Community Development District  
**Statement of Revenues, Expenditures and Changes in  
Fund Balance Budget and Actual - General Fund**  
Year Ended September 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Assessment revenue	\$ 270,584	\$ 270,584	\$ 273,759	\$ 3,175
Investment income	500	500	333	(167)
Intergovernmental	38,529	38,529	30,735	(7,794)
<b>Total revenues</b>	<b>309,613</b>	<b>309,613</b>	<b>304,827</b>	<b>(4,786)</b>
<b>Expenditures:</b>				
Current:				
General government	129,267	129,267	110,468	18,799
Physical environment	78,953	78,953	62,792	16,161
Culture and recreation	101,393	101,393	79,580	21,813
Debt Service:				
Interest	-	-	5,868	(5,868)
Principal	-	-	17,074	(17,074)
Capital Outlay	-	-	22,525	(22,525)
<b>Total expenditures</b>	<b>309,613</b>	<b>309,613</b>	<b>298,307</b>	<b>11,306</b>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<b>-</b>	<b>-</b>	<b>6,520</b>	<b>6,520</b>
<b>Other Financing Sources (Uses):</b>				
Leases	-	-	22,525	22,525
Transfers out	-	-	(1,080)	(1,080)
Total other financing sources (uses)	<b>-</b>	<b>-</b>	<b>21,445</b>	<b>21,445</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>27,965</b>	<b>27,965</b>
Fund balance, beginning	54,897	54,897	54,897	-
<b>Fund balance, ending</b>	<b>\$ 54,897</b>	<b>\$ 54,897</b>	<b>\$ 82,862</b>	<b>\$ 27,965</b>

**NOTES TO FINANCIAL STATEMENTS**



**NOTE 1                    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The *Holly Hill Road East Community Development District*, (the “District”) was established on July 10, 2017 by the City of Davenport, Florida Ordinance No. 2017-814, pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes. The Act provides, among other things, the power to manage basic services for community development, the power to borrow money and issue bonds, and the power to levy and collect non-ad valorem assessments for the financing and delivery of capital infrastructure. The District was established for the purpose of financing and managing the acquisition, construction, maintenance and operation of a portion of the infrastructure necessary for community development within the District.

The District is governed by the Board of Supervisors (the “Board”), which is composed of five members. All Supervisors are elected by qualified electors residing within the District. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes. At September 30, 2020, certain board members were affiliated with the East Tenth, LLC (“the Developer”).

The Board has the final responsibility for, among other things:

1.        Allocating and levying assessments.
2.        Approving budgets.
3.        Exercising control over facilities and properties.
4.        Controlling the use of funds generated by the District.
5.        Approving the hiring and firing of key personnel.
6.        Financing improvements.

The financial statements were prepared in accordance with Governmental Accounting Standards Board (“GASB”) Statements 14, 39 and 61. 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.

**Government-Wide and Fund Financial Statements**

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants, contributions and investment income that are restricted to meeting the operational or capital requirements of a particular function or segment and 3) operating-type special assessments that are treated as charges for services (including assessments for maintenance and debt service). 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 recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

**NOTE 1           SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 District 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, including debt service assessments and operation and maintenance assessments, are non-ad valorem assessments imposed on all lands located within the District and benefited by the District's activities. Operation and maintenance assessments are levied by the District prior to the start of the fiscal year which begins October 1<sup>st</sup> and ends on September 30<sup>th</sup>. These assessments are imposed upon all benefited lands located in the District. Debt service special assessments are imposed upon certain lots and lands as described in each resolution imposing the special assessment for each series of bonds issued by the District.

Assessments and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of 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*

Is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Debt Service Fund*

Is used to account for the accumulation of resources for the annual payment of principal and interest on long-term debt.

*Capital Projects Fund*

Accounts for the financial resources to be used for the acquisition or construction of major infrastructure within the District.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance**

*Restricted Assets*

These assets represent cash and investments set aside pursuant to bond covenants.

*Deposits and Investments*

The District's cash and cash equivalents are considered to be cash on hand and demand deposits.

Investments of the District are reported at fair value and are categorized within the fair value hierarchy established in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. The District's investments consists of investments authorized in accordance with Section 218.415, Florida Statutes.

*Prepaid Items*

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

**NOTE 1                      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Capital Assets*

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., utilities system, stormwater system, landscaping and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. 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 acquisition 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 primary government will be depreciated using the straight-line method over the estimated useful lives when the assets are completed and placed into service. Estimated useful lives for financial reporting purposes are anticipated as follows:

<u>Assets</u>	<u>Years</u>
Infrastructure and other improvements	30
Equipment and furniture	3-5

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 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 premiums or discounts.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond 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 expenditures.

*Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any item that qualifies for reporting in this category for the year ended September 30, 2020.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any item that qualifies for reporting in this category for the year ended September 30, 2020.

*Net Position Flow Assumption*

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**NOTE 1                   SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Fund Balance Flow Assumption*

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

*Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any imitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes fund balance amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Supervisors is the highest level of decision-making authority for the government that can, by adoption of an ordinance or resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance or resolution remains in place until a similar action is taken to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Board of Supervisors has authorized the District Manager to assign amounts for specific purposes. The Board of Supervisors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above an additional action is essential to either remove or revise a commitment.

**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.

*New Accounting Standards Issued*

In fiscal year 2020, the District implemented Government Accounting Standards Board (GASB) Statement No. 87, *Leases* which establishes new accounting and financial reporting requirements for governments with lease obligations. The Statement is effective for financial statement for fiscal years beginning after December 15, 2021 and has been early implemented by the District. Implementation of this statement has no material effect on beginning net position.

In fiscal year 2020, the District implemented Government Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This statement provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of provisions in certain other statements. There was no effect on beginning balances of the District for implementation of this Statement.

## **NOTE 2            STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **Budgetary Information**

The District is required to establish a budgetary system and an approved annual budget for the General Fund. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at the fiscal year end. The legal level of budgetary control is at the fund level. Any budget amendments that increase the aggregate budgeted appropriations, at the fund level, must be approved by the Board of Supervisors.

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

1. Each year the District Manager submits to the District Board proposed budgets for the fiscal year commencing the following October 1.
2. A public hearing is conducted to obtain public comments.
3. Prior to October 1, the budget is legally adopted by the District Board.
4. Subject to certain limited exceptions set forth in the District's appropriation resolutions adopted each year, all budget changes must be approved by the District Board.
5. The budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

## **NOTE 3            DEPOSITS AND INVESTMENTS**

### **Deposits**

The District's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

### **Investments**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

Under GASB 72, assets or liabilities are classified into one of three levels. Level 1 is the most reliable and is based on quoted price for identical assets, or liabilities, in an active market. Level 2 uses significant other observable inputs when obtaining quoted prices for identical or similar assets, or liabilities, in markets that are not active. Level 3 is the least reliable, and uses significant unobservable inputs that uses the best information available under the circumstances, which includes the District's own data in measuring unobservable inputs.

The District has the following recurring fair value measurements as of September 30, 2020:

- Money market mutual funds of \$3,298,652 are valued using Level 2 inputs.

Instead of establishing a written investment policy, the District elected to limit investments to those approved by Florida Statutes and the District Trust Indenture. Authorized District investments include, but are not limited to:

1. The State Board of Administration Local Government Investment Pool (SBA);
2. Securities and Exchange Commission Registered Money Market Funds with the highest credit quality rating from a nationally recognized rating agency;
3. Interest-bearing savings accounts and certificates of deposit in state-certified qualified public depositories;
4. Direct obligations of the U.S. Treasury.

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

Investments made by the District at September 30, 2020 are summarized below. In accordance with GASB 31, investments are reported at fair value.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity</u>
First American Money Market Funds	3,298,648	AAAm	46 Days
<b>Total</b>	<u>\$ 3,298,648</u>		

*Credit Risk:*

For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Investments in U.S. Government securities and agencies must be backed by the full faith and credit of the United States Government. Short term bond funds shall be rated by a nationally recognized ratings agency and shall maintain the highest credit quality rating. Investment ratings by investment type are included in the preceding summary of investments.

*Custodial Credit Risk:*

In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2020, all of the District's bank deposits were in qualified public depositories.

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2020, none of the investments listed are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

*Concentration of Credit Risk:*

The District's investment policy does not specify limits on the amount the District may invest in any one issuer.

*Interest Rate Risk:*

The District's investment policy does not specifically address interest rate risk; however, the general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments. The District manages its exposure to declines in fair values by investing primarily in pooled investments that have a weighted average maturity of less than three months.

**NOTE 4 CAPITAL ASSETS**

	<b>Restated Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 6,771,215	\$ 4,284,622	\$ -	\$ 11,055,837
<b>Total capital assets, not being depreciated</b>	<u>6,771,215</u>	<u>4,284,622</u>	<u>-</u>	<u>11,055,837</u>
Capital Assets Being Depreciated:				
Equipment and furniture	101,074	22,525	-	123,599
<b>Total capital assets, being depreciated</b>	<u>101,074</u>	<u>22,525</u>	<u>-</u>	<u>123,599</u>
Less Accumulated Depreciation for:				
Equipment and furniture	(11,354)	(20,408)	-	(31,762)
<b>Total accumulated depreciation</b>	<u>(11,354)</u>	<u>(20,408)</u>	<u>-</u>	<u>(31,762)</u>
Total capital assets being depreciated, net	<u>89,720</u>	<u>2,117</u>	<u>-</u>	<u>91,837</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 6,860,935</u>	<u>\$ 4,286,739</u>	<u>\$ -</u>	<u>\$ 11,147,674</u>

Beginning balances of equipment and accumulated depreciation have been restated by \$101,074 and \$11,354, respectively as a result of the District's early implementation of GASB Statement No. 87, *Leases* during the fiscal year ended September 30, 2020. Depreciation was allocated to Culture and recreation.

The total project costs of the infrastructure has been estimated at approximately \$17.1 million which is expected to be financed with the proceeds from the issuance of Bonds. Any additional costs will be funded by additional bond issuances or the Developer. The infrastructure will include potable water and wastewater systems, storm water drainage system improvements, offsite road improvements and amenities. Upon completion certain assets will be conveyed to other entities for ownership and/or maintenance.

**NOTE 5 LONG TERM LIABILITIES**

**Series 2017 Bonds - Public Offering**

On November 9, 2017, the District issued \$4,160,000 of Special Assessment Revenue Bonds, Series 2017 consisting of \$370,000 Term Bonds due May 1, 2023 with a fixed interest rate of 3.5%, \$455,000 Term Bonds due May 1, 2028 with a fixed interest rate of 4.125%, \$1,270,000 Term Bonds due May 1, 2038 with an interest rate of 4.7%, and \$2,065,000 Term Bonds due May 1, 2048 with a fixed interest rate of 5%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1. Principal on the Series 2017 Bonds is to be paid serially commencing May 1, 2019 through May 1, 2048. The Series 2017 Bonds are subject to optional redemption beginning May 1, 2018 and to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occur as outlined in the Bond Indenture.

As of September 30, 2020, the total principal and interest remaining on the 2017 Bonds amounts to \$6,363,352. For the year ended September 30, 2020, principal and interest paid was \$224,207 and total special assessment revenue pledged was \$232,943.

**NOTE 5                   LONG TERM LIABILITIES (CONTINUED)**

**Series 2018 Bonds - Public Offering**

On October 19, 2018, the District issued \$2,800,000 of Special Assessments Bonds, Series 2018 consisting of \$245,000 Term Bonds due May 1, 2024 with a fixed interest rate of 4.25%, \$895,000 Term Bonds due May 1, 2036 with a fixed interest rate of 5%, and \$1,660,000 Term Bonds due May 1, 2048 with a fixed interest rate of 5.25%. The Bonds were issued to provide funding to pay a portion of the costs of the planning, financing, acquisition, construction, equipping and installation of the Series 2018 project. Interest is to be paid semiannually on each May and November 1, commencing on May 1, 2019. Principal on the Bonds is to be paid serially commencing May 1, 2019 through May 1, 2048. The Series 2018 Bonds may, at the option of the District, be called for redemption prior to maturity as discussed in the Bond Indenture. The Bonds are subject to optional and extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occur as outlined in the Bond Indenture.

As of September 30, 2020, total principal and interest remaining on the 2018 Bonds amounts to \$3,464,479. For the year ended September 30, 2020, principal and interest paid was \$159,150 and total special assessment revenue pledged was \$125,678.

**Series 2020 Area 3 Bonds - Public Offering**

On June 1, 2020, the District issued \$3,660,000 of Special Assessments Bonds, Series 2020 Area 3 consisting of \$320,000 Term Bonds due November 1, 2025 with a fixed interest rate of 4.00%, \$480,000 Term Bonds due November 1, 2031 with a fixed interest rate of 4.50%, \$1,185,000 Term Bonds due November 1, 2041 with a fixed interest rate of 5.00% and \$1,675,000 Term Bonds due November 1, 2050 with a fixed interest rate of 5.00%. The Bonds were issued to provide funding to pay a portion of the costs of the planning, financing, acquisition, construction, equipping and installation of the Assessment Area 3 Project. Interest is to be paid semiannually on each May and November 1, commencing on November 1, 2020. Principal on the Bonds is to be paid serially commencing November 1, 2021, until maturity or prior redemption. The Series 2020 Area 3 Bonds may, at the option of the District, be called for redemption prior to maturity as discussed in the Bond Indenture. The Bonds are subject to optional and extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occur as outlined in the Bond Indenture.

As of September 30, 2020, total principal and interest remaining on the 2020 Area 3 Bonds amounts to \$7,180,626. No principal or interest was due for the year ended September 30, 2020, and no special assessment revenue was pledged.

**Series 2020 Area 4 Bonds - Public Offering**

On August 1, 2020, the District issued \$3,325,000 of Special Assessments Bonds, Series 2020 Area 4 consisting of \$260,000 Term Bonds due May 1, 2025 with a fixed interest rate of 3.00%, \$460,000 Term Bonds due May 1, 2031 with a fixed interest rate of 3.50%, \$920,000 Term Bonds due May 1, 2040 with a fixed interest rate of 4.00% and \$1,685,000 Term Bonds due May 1, 2051 with a fixed interest rate of 4.00%. The Bonds were issued to provide funding to pay a portion of the costs of the planning, financing, acquisition, construction, equipping and installation of the Assessment Area 4 Project. Interest is to be paid semiannually on each May and November 1, commencing on November 1, 2020. Principal on the Bonds is to be paid serially commencing May 1, 2022, until maturity or prior redemption. The Series 2020 Area 4 Bonds may, at the option of the District, be called for redemption prior to maturity as discussed in the Bond Indenture. The Bonds are subject to optional and extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occur as outlined in the Bond Indenture.

As of September 30, 2020, total principal and interest remaining on the 2020 Area 4 Bonds amounts to \$5,869,525. No principal or interest was due for the year ended September 30, 2020, and no special assessment revenue was pledged.

The Bond Indentures have certain restrictions and requirement relating principally to the use of proceeds to pay for infrastructure improvement and procedure to be following by the District on assessments to property owners. The District agreed to levy special assessments in the annual amounts adequate to provide payment of debt service and to meet the debt service reserve requirement. The District is in compliance with the requirements of the Bond Indentures.

The Bond Indentures requires that the District maintain adequate funds in the reserve account to meet the debt service reserve requirement as defined in the Indenture. The requirements have been met for the fiscal year ended September 30, 2020.



**NOTE 5 LONG TERM LIABILITIES (CONTINUED)**

Long-term debt activity for the year ended September 30, 2020 was as follows:

	<b>Restated Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental activities:</b>					
Due to developer	\$ 512,655	\$ -	\$ (295,965)	\$ 216,690	\$ -
Bonds Payable:					
Series 2017	3,515,000	-	(60,000)	3,455,000	65,000
Bond discount	(12,690)	-	447	(12,243)	-
Series 2018	1,870,000	-	(65,000)	1,805,000	30,000
Series 2020 Area 3	-	3,660,000	-	3,660,000	-
Bond discount	-	(88,663)	985	(87,678)	-
Series 2020 Area 4	-	3,325,000	-	3,325,000	-
Bond discount	-	(29,353)	163	(29,190)	-
Capital leases	95,910	22,525	(17,074)	101,361	24,757
<b>Governmental activity long-term liabilities</b>	<b>\$ 5,980,875</b>	<b>\$ 6,889,509</b>	<b>\$ (436,444)</b>	<b>\$ 12,433,940</b>	<b>\$ 119,757</b>

Beginning balances of leases have been restated by \$95,910 as a result of the District's early implementation of GASB Statement No. 87, *Leases* during the fiscal year ended September 30, 2020.

At September 30, 2020, the scheduled debt service requirements on the bonds payable were as follows

<b>Year Ending September 30,</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2021	\$ 95,000	\$ 559,596
2022	215,000	554,846
2023	230,000	547,096
2024	235,000	538,708
2025	245,000	529,801
2026-2030	1,400,000	2,488,161
2031-2035	1,730,000	2,153,107
2036-2040	2,215,000	1,705,063
2041-2045	2,745,000	1,126,107
2046-2050	2,725,000	417,472
2051	410,000	13,025
	<b>\$ 12,245,000</b>	<b>\$ 10,632,982</b>

**NOTE 6 LEASES**

The District has entered into multiple lease agreements as lessee for financing the acquisition of playground equipment. The equipment has been capitalized and are included in equipment and furniture at a cost of approximately \$124,000 on the accompanying Statement of Net Position. Accumulated amortization through September 30, 2020 totaled approximately \$32,000. Amortization of these lease assets are included in depreciation expense and accumulated depreciation in the accompany government-wide financial statements.

Principal and interest requirements are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 24,757	\$ 8,669
2022	27,182	6,246
2023	29,856	3,570
2024	19,566	841
	<u>\$ 101,361</u>	<u>\$ 19,326</u>

**NOTE 7 DEVELOPER TRANSACTIONS**

A significant portion of the District's activity is dependent upon the continued involvement of the Developer, East Tenth, LLC, the loss of which could have a material adverse effect on the District's operations.

The due to developer amount on the Statement of net position totaling \$216,690 is related to long-term developer advances to fund the construction of infrastructure in the anticipation of additional bond issuances. In the current year, the District repaid the Developer \$295,965 for funds advanced to the District in prior years for construction.

**NOTE 8 MANAGEMENT COMPANY**

The District has contracted with a management company to perform management services, which include financial and accounting services. Certain employees of the management company also serve as officers (Board appointed non-voting positions) of the District. Under the agreements, the District compensates the management company for management, accounting, financial reporting and other administrative costs.

**NOTE 9 RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance from independent third parties. The District did not file any claims under this commercial coverage during the last three years.

**NOTE 10 RELATED PARTY TRANSACTIONS**

During the year ended September 30, 2020, the District incurred \$18,000 of construction management expenses with Citrus Landings Development, LLC and \$18,000 of construction management expenses with TamKnight, LLC, whose CEO is the District's Board Chairman.

**NOTE 11 SUBSEQUENT EVENTS**

In December 2020, The District entered into a lease agreement for the purchase of equipment for approximately \$67,000.

**COMPLIANCE SECTION**



**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  
*Holly Hill Road East Community Development District*

We have audited, 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, the financial statements of the governmental activities and each major fund of the *Holly Hill Road East Community Development District* (the "District") as of and for the year ended September 30, 2020 and the related notes to the financial statements, which collectively comprise the District's financial statements and have issued our report thereon dated June 23, 2021.

*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) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing 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 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 a material weakness or significant deficiency. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting 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, 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*.

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.

*McDermitt Davis*

Orlando, Florida  
June 23, 2021

## MANAGEMENT LETTER

Board of Supervisors  
*Holly Hill Road East Community Development District*

### Report on the Financial Statements

We have audited the financial statements of *Holly Hill Road East Community Development District*, (the “District”) as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated June 23, 2021.

### Auditor’s Responsibility

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

### Other Reporting Requirements

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Auditor’s Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 23, 2021, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report.

### Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information has been disclosed in the notes to the financial statements.

### Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the *District* did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the District. It is management’s responsibility to monitor the *District’s* 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.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

### Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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. In connection with our audit, we did not note any such findings.

**Purpose of this Letter**

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, the Board of Supervisors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*McDermitt Davis*

Orlando, Florida

June 23, 2021



934 North Magnolia Avenue, Suite 100  
Orlando, Florida 32803  
407-843-5406  
www.mcdermittdavis.com

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES**

Board of Supervisors  
*Holly Hill Road East Community Development District*

We have examined *Holly Hill Road East Community Development District's* (the "District") compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2020. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2020.

*McDermitt Davis*

Orlando, Florida  
June 23, 2021