

**SUNRISE LAKES PHASE 4  
RECREATION DISTRICT**

*REPORT ON EXAMINATION  
OF FINANCIAL STATEMENTS*

*YEAR ENDED SEPTEMBER 30, 2015*

## CONTENTS

	Page
<b>INDEPENDENT AUDITOR’S REPORT</b>	1
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b>	3
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-Wide Financial Statements	
Government Wide Statement of Net Position	10
Government Wide Statement of Activities	12
Fund Financial Statements	
Balance Sheet - Governmental Funds	13
Reconciliation: Governmental Funds - Balance Sheet to the Government Wide Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	15
Reconciliation: Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government Wide Statement of Activities	16
Notes to Financial Statements	17
<b>SUPPLEMENTARY INFORMATION</b>	
Budgetary Statements	
Statement of Revenues, Expenditures, and Changes in Fund Balance Actual Compared to Budget – General Fund	29
Statement of Revenues, Expenditures, and Changes in Fund Balance Actual Compared to Budget – Debt Service Fund	30
<b>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></b>	31
<b>MANAGEMENT LETTER IN ACCORDANCE WITH RULES OF THE FLORIDA AUDITOR GENERAL, CHAPTER 10.550</b>	33
<b>INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA</b>	35



Frank J. Horkey, CPA, CFST\* - fhorkey@horkeycpa.com

William Diamond, CPA, CFST\* - wdiamond@horkeycpa.com

Linda M. Arnold, CPA - larnold@horkeycpa.com

\* Certified in Florida Sales Tax

## INDEPENDENT AUDITORS' REPORT

June 15, 2016

To the Board of Supervisors  
Sunrise Lakes Phase 4 Recreation District

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General and Debt service Funds of Sunrise Lakes Phase 4 Recreation District, (the District) which collectively comprise the District's basic financial statements, as of and for the year ended September 30, 2015, and the related notes to 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 of 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 opinions.



America Counts on CPAs

7301 NW 4<sup>th</sup> Street Suite 102 Plantation FL 33317-2234

Telephone: 954 742-3001 Facsimile: 954 572-3057

FEI #65-0266803

Page 1

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the General and Debt service Funds of the District, as of September 30, 2015, and the changes in financial position thereof for the year then ended in conformity 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 Management's Discussion and Analysis ("MD&A") and budgetary comparison information on pages 3 through 9 and 29 through 30, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, which 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 principally of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge 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 June 15, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 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.

*Horkey & Associates, P.A.*

Certified Public Accountants  
Plantation, Florida

Our discussion and analysis of Sunrise Lakes Phase 4 Recreation District's (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2015. Please read it in conjunction with the District's basic financial statements beginning on page 10.

## **FINANCIAL HIGHLIGHTS**

The deficits that exist in the government-wide financial statements are the result of the District following the generally accepted accounting practice of non-recognition of intangible position on the purchase of facilities in 1994 and on the refunding of bonds in 1998. This has created a deficit in unreserved fund balance/retained earnings in the government-wide financial statements since September 30, 2005.

- The total value of intangible assets not recorded in 2004 is \$12,779,390.
- During the year, net position of our governmental activities increased by \$799,924 or 11.44%.
- Total cost of all of the District's programs was \$2,700,432 in 2015 compared to \$2,547,912 in 2014, an increase of 5.99%.
- Net capital assets decreased by \$233,868 or 3.97%, all of which is attributed to depreciation and amortization expense in excess of capital outlays for the year ended September 30, 2015.

## **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 10 to 11 and 12) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most financially significant funds.

## **REPORTING THE DISTRICT AS A WHOLE**

The Statement of Net Position and the Statement of Activities

The financial statements that serve as a basis of our analysis of the District as a whole begins on page 10. One of the most important questions asked about the District's finances is: "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all position and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the District's net position and changes in it. You can think of the District's net position as the difference between assets, what is owned, and liabilities, what is owed, as one way to measure the District's financial health or financial position. Over time increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the condition of the District's capital assets (parking lots, buildings, etc.) to assess the overall health of the District.

**REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS**

Fund Financial Statements

The financial statements that serve as a basis of our analysis of the District's major funds begin on page 13. The fund financial statements provide detailed information about District's two funds, not the District as a whole. Some funds are required to be established by state law. However, the District's Board establishes other funds to help it control and manage money for particular purposes.

Governmental funds: All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation beside the fund financial statements.

**THE DISTRICT AS A WHOLE**

The District's total governmental position changed from a year ago, increasing from \$(6,993,471) to \$(6,193,547). Our analysis below focuses on the net position (Table 1) and changes in net position of the District's activities.

Table 1 - Net Position

	Government Wide	
	2015	2014
Current Assets	\$ 515,562	\$ 542,356
Restricted Cash and Investments	4,249,848	4,161,098
Capital Assets	<u>5,655,901</u>	<u>5,889,769</u>
	-	-
Total Assets	<u>10,421,311</u>	<u>10,593,223</u>
Current Liabilities	1,744,858	1,406,694
Long-term Liabilities	<u>14,870,000</u>	<u>16,180,000</u>
Total Liabilities	<u>16,614,858</u>	<u>17,586,694</u>
Net Position		
Invested in Capital Assets Net of Debt	(10,524,099)	(11,550,231)
Restricted for debt service	4,101,727	4,180,854
Unrestricted	<u>228,825</u>	<u>375,906</u>
Total Net Position	<u>\$ (6,193,547)</u>	<u>\$ (6,993,471)</u>

**THE DISTRICT AS A WHOLE (Continued)**

**Table 2  
Change in Net Assets**

	Government Wide	
	2015	2014
<b>Revenues</b>		
Charges for Services	\$ 3,309,480	\$ 3,254,127
Interest Income	155,757	155,622
Unrealized Gain (Loss) on Investments	33,957	(36,358)
Miscellaneous	1,162	9,239
<b>Total Revenues</b>	<b>3,500,356</b>	<b>3,382,630</b>
<b>Program Expense</b>		
Administration and Support Services	974,099	887,091
Interest on Long-term Debt	681,104	722,279
Arbitrage Interest expense	167,877	-
Operation and Maintenance of Buildings	608,564	651,397
Depreciation and amortization	268,785	287,145
<b>Total Expenses</b>	<b>2,700,429</b>	<b>2,547,912</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$ 799,927</b>	<b>\$ 834,718</b>

Total Net position of the District's governmental activities increased by \$799,924 or 11.44%. During the year ended September 30, 2015, unrestricted net position (the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements) decreased by \$147,081, primarily due the fact that the revenue increase was not enough to offset the increase in expenses. The investment in capital assets, net of debt category increased by \$1,026,132 as a result of bond payments made and asset additions net of depreciation expense.

The increase in net position for Governmental Activities was mostly due to increases in maintenance fees in excess of the depreciation of the capital position.

**GENERAL GOVERNMENTAL FUNCTIONS BY INDIVIDUAL FUND**

The following schedules present individual governmental funds revenues and the percentages to total revenues as well as the expenditures and the percentages to total expenditures for the year ended September 30, 2015.

**General Fund**

Revenue Source	2015		2014		Change	
	Amount	Percent of Total Revenue	Amount	Percent of Total Revenue	Increase (Decrease) From 2013	Percent Increase (Decrease)
Assessed revenues	\$ 1,468,344	99.85	\$ 1,516,275	106.55	\$ (47,931)	(3.16)
Shows, dances etc (net)	(31,510)	(2.14)	(103,283)	(7.26)	71,773	(69.49)
Interest income	996	0.07	868	0.06	128	14.75
Other income	32,669	2.22	9,239	0.65	23,430	253.60
Total revenue	<u>\$ 1,470,499</u>	<u>100.00</u>	<u>\$ 1,423,099</u>	<u>100.00</u>	<u>\$ 47,400</u>	<u>195.69</u>
<b>Expenditures</b>						
Personnel	\$ 368,040	25.03	\$ 353,183	24.82	\$ 14,857	4.21
Printing	49,293	3.35	2,197	0.15	47,096	2,143.65
Telephone	31,724	2.16	18,180	1.28	13,544	74.50
Utilities	194,424	13.22	190,727	13.40	3,697	1.94
Maintenance and repair	206,269	14.03	190,890	13.41	15,379	8.06
Professional fees	102,664	6.98	82,579	5.80	20,085	24.32
Capital Expenditures	34,917	2.37	63,223	4.44	(28,306)	(44.77)
Insurance	143,070	9.73	119,643	8.41	23,427	19.58
Management fee	48,000	3.26	48,000	3.37	-	-
Office expenditures	29,044	1.98	77,898	5.47	(48,854)	(62.72)
Miscellaneous	-	-	792	0.06	(792)	(100.00)
Trustee fees	7,838	0.53	7,838	0.55	-	-
Security	140,742	9.57	176,782	12.42	(36,040)	(20.39)
Repairs & replacements	120,232	8.18	137,659	9.67	(17,427)	(12.66)
Janitorial services	141,323	9.61	132,121	9.28	9,202	6.96
Total expenditures	<u>\$ 1,617,580</u>	<u>110.00</u>	<u>\$ 1,601,712</u>	<u>112.55</u>	<u>\$ 15,868</u>	<u>0.99</u>
Change in Net Position	<u>\$ (147,081)</u>		<u>\$ (178,613)</u>		<u>\$ 31,532</u>	

The fund balance decreased by \$147,081, primarily due the fact that the revenue increase was not enough to offset the increase in expenses.



**GENERAL GOVERNMENTAL FUNCTIONS BY INDIVIDUAL FUND (Continued)**

**Debt Service Fund**

Revenue Source	2015		2014		Change	
	Amount	Percent of Total Revenue	Amount	Percent of Total Revenue	Increase (Decrease) From 2011	Percent Increase (Decrease)
Assessed revenues	\$ 1,841,136	90.70	\$ 1,841,136	93.96	\$ -	-
Interest income	154,761	7.62	154,754	7.90	7	-
Unrealized gain (loss) on investments	33,957	1.67	(36,358)	(1.86)	70,315	(193.40)
<b>Total revenue</b>	<b>\$ 2,029,854</b>	<b>100.00</b>	<b>\$ 1,959,532</b>	<b>100.00</b>	<b>\$ 70,322</b>	<b>3.59</b>
<b>Expenditures</b>						
Principal retirement	\$ 1,260,000	62.07	\$ 1,220,000	62.26	\$ 40,000	3.28
Interest and fiscal charges	848,981	41.82	722,279	36.86	126,702	17.54
Other expenditures	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 2,108,981</b>	<b>107.63</b>	<b>\$ 1,942,279</b>	<b>99.12</b>	<b>\$ 166,702</b>	<b>34.32</b>
<b>Net Change in Fund Balance</b>	<b>\$ (79,127)</b>		<b>\$ 17,253</b>		<b>\$ (96,380)</b>	

The fund balance decreased by \$79,127 primarily due to the arbitrage interest expense recorded during the year.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At September 30, 2015, the District had \$5,378,692 invested in a broad range of capital position including land, buildings and improvements, vehicles, equipment, and parking lots. (See table below.) This amount represents a net decrease (including additions and deductions) of \$201,155 or 3.62% under last year.

	Beginning of the year	Additions	Removals	End of the year
<u>Cost basis</u>				
Land	\$ 2,700,000	\$ -	\$ -	\$ 2,700,000
Buildings	4,943,671	-	-	4,943,671
Parking/paving/site improvements	1,642,000	-	-	1,642,000
Machinery/equipment/vehicles	363,988	9,970	-	373,958
Furniture/fixtures	<u>719,165</u>	<u>24,947</u>	<u>-</u>	<u>744,112</u>
Total capital assets cost	<u>\$ 10,368,824</u>	<u>\$ 34,917</u>	<u>\$ -</u>	<u>\$ 10,403,741</u>
<u>Depreciation</u>				
Land	\$ -	\$ -	\$ -	\$ -
Buildings	2,384,046	123,592	-	2,507,638
Parking/paving/site improvements	1,590,100	41,350	-	1,631,450
Machinery/equipment/vehicles	199,615	48,024	-	247,639
Furniture/fixtures	<u>615,116</u>	<u>23,206</u>	<u>-</u>	<u>638,322</u>
Total depreciation	<u>\$ 4,788,877</u>	<u>\$ 236,172</u>	<u>\$ -</u>	<u>\$ 5,025,049</u>
<u>Net Capital Assets</u>				
Land	\$ 2,700,000	\$ -	\$ -	2,700,000
Buildings	2,559,625	-	(123,592)	2,436,033
Parking/paving/site improvements	51,900	-	(41,350)	10,550
Machinery/equipment/vehicles	164,373	9,970	(48,024)	126,319
Furniture/fixtures	<u>104,049</u>	<u>24,947</u>	<u>(23,206)</u>	<u>105,790</u>
Total net capital assets	<u>\$ 5,579,947</u>	<u>\$ 34,917</u>	<u>\$ (236,172)</u>	<u>\$ 5,378,692</u>

There were minor additions during 2015. The District's 2016 operating budget anticipates a spending level of approximately \$281,604 for capital purchases and replacement projects.

**CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)**

**Debt**

At year-end the District had \$16,180,000 in bonds outstanding versus \$17,440,000 last year, a decrease of 7.22%. All bonds are general obligations of the District and are shown as governmental activities. More detailed information about the District's long-term debt obligations is presented in Note E to the Basic Financial Statements.

**ECONOMIC FACTORS**

Sunrise Lakes Phase 4 Recreation District is an independent special district operating under the authority of Section 418, Florida Statutes and City Ordinance Number 429 of the City of Sunrise, Florida. The District encompasses and provides recreation opportunities to the residents of Sunrise Lakes Phase 4, an age restricted condominium development consisting of 2,536 units in 66 buildings, located in Sunrise, Florida and to the general citizenship of Sunrise, Florida.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our members, patrons and creditors with a general overview of the District's finances and to show the District's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact Sunrise Lakes Phase 4 Recreation District, C/O Juda Eskew and Associates, P.A., 8211 W Broward Blvd, Suite. Ph 1, Plantation, FL 33324 or call (954) 577-9700.

**SUNRISE LAKES PHASE 4 RECREATION DISTRICT  
GOVERNMENT WIDE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015**

	Governmental Activities	Total 2015
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 396,326	\$ 396,326
Due from others	26,718	26,718
Prepaid insurance	92,518	92,518
Total Current Assets	515,562	515,562
Noncurrent Assets:		
Cash and investments		
Restricted cash and cash equivalents	976,735	976,735
Restricted investments	3,273,113	3,273,113
	4,249,848	4,249,848
Capital Assets		
Land	2,700,000	2,700,000
Site improvements	1,642,000	1,642,000
Building & building improvements	4,943,671	4,943,671
Furniture & equipment	1,118,070	1,118,070
Accumulated depreciation	(5,025,049)	(5,025,049)
Original issue discount	291,556	291,556
Redemption bond principal	230,250	230,250
Accumulated amortization	(244,597)	(244,597)
Total Noncurrent Assets	5,655,901	5,655,901
<b>TOTAL ASSETS</b>	<b>\$ 10,421,311</b>	<b>\$ 10,421,311</b>

**SUNRISE LAKES PHASE 4 RECREATION DISTRICT  
GOVERNMENT WIDE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015**

	Governmental Activities	Total 2015
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 434,858	\$ 434,858
Current portion of bonds payable	1,310,000	1,310,000
Total Current Liabilities	1,744,858	1,744,858
Noncurrent Liabilities:		
Bonds payable	14,870,000	14,870,000
Total Noncurrent Liabilities	14,870,000	14,870,000
TOTAL LIABILITIES	16,614,858	16,614,858
<b>NET POSITION</b>		
Deficit in capital assets net of related debt	(10,524,099)	(10,524,099)
Restricted for debt service	4,101,727	4,101,727
Unrestricted	228,825	228,825
TOTAL NET POSITION (DEFICIT)	(6,193,547)	(6,193,547)
TOTAL LIABILITIES AND NET POSITION (DEFICIT)	\$ 10,421,311	\$ 10,421,311

**SUNRISE LAKES PHASE 4 RECREATION DISTRICT  
GOVERNMENT WIDE STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2015**

		Program Revenues	Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Service	Governmental Activities	Total
Governmental activities:				
Depreciation and amortization - unallocated	\$ 268,785	\$ -	\$ (268,785)	\$ (268,785)
Administrative & financial support services	974,099	-	(974,099)	(974,099)
Arbitrage interest expense	167,877		(167,877)	(167,877)
Operation & maintenance of buildings	608,567	1,468,344	859,777	859,777
Interest on long-term debt	681,104	1,841,136	1,160,032	1,160,032
Total governmental activities	2,700,432	3,309,480	609,048	609,048
General revenues:				
Interest income	-	155,757	155,757	155,757
Unrealized gain (loss) on investments	-	33,957	33,957	33,957
Miscellaneous income	-	1,162	1,162	1,162
Total general revenues, and transfers	-	190,876	190,876	190,876
Changes In Net Assets	\$ 2,700,432	\$ 3,500,356	799,924	799,924
Net Position - Beginning of Fiscal Year			(6,993,471)	(6,993,471)
Net Position - End of Fiscal Year			\$ (6,193,547)	\$ (6,193,547)

**SUNRISE LAKES PHASE 4 RECREATION DISTRICT  
BALANCE SHEET- GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2015**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash & cash equivalents	\$ 396,326	\$ 976,735	\$ 1,373,061
Restricted cash & cash equivalents	-	3,273,113	3,273,113
Restricted investments	-	-	-
Due from others	6,962	19,756	26,718
Prepaid insurance	92,518	-	92,518
Other current assets	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>\$ 495,806</u>	<u>\$ 4,269,604</u>	<u>\$ 4,765,410</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 113,553	\$ -	\$ 113,553
Deferred revenue	153,428	-	153,428
Interest arbitrage payable	<u>-</u>	<u>167,877</u>	<u>167,877</u>
<b>TOTAL LIABILITIES</b>	266,981	167,877	434,858
<b>FUND BALANCES</b>			
Restricted	618,245	4,101,727	4,719,972
Unassigned	<u>(389,420)</u>	<u>-</u>	<u>(389,420)</u>
<b>TOTAL FUND BALANCES</b>	<u>228,825</u>	<u>4,101,727</u>	<u>4,330,552</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 495,806</u>	<u>\$ 4,269,604</u>	<u>\$ 4,765,410</u>

**SUNRISE LAKES PHASE 4 RECREATION DISTRICT  
RECONCILIATION: GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE GOVERNMENT WIDE  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015**

Total Fund Balances - Governmental Funds	\$ 4,330,552
--	--------------

Amounts reported for governmental activities in the statement of net assets are different because:

Additions:

Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

\$ 5,655,901

Total Additions

5,655,901

Subtractions:

Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consists of:

Bonds payable

16,180,000

Total Subtractions

16,180,000

Total Net Position - Governmental Activities

\$ (6,193,547)



**SUNRISE LAKES PHASE 4 RECREATION DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2015**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
General revenue	\$ 1,468,344	\$ 1,841,136	\$ 3,309,480
Shows, dances, & movies (net)	(31,510)	-	(31,510)
Interest income	996	154,761	155,757
Unrealized gain (loss) on investments	-	33,957	33,957
Other income	<u>32,669</u>	<u>-</u>	<u>32,669</u>
Total revenues	1,470,499	2,029,854	3,500,353
<b>EXPENDITURES</b>			
Salaries and fringe benefits	368,040	-	368,040
Printing	49,293	-	49,293
Telephone and communications	31,724	-	31,724
Utilities	194,424	-	194,424
Maintenance and repair	206,269	-	206,269
Professional fees	102,664	-	102,664
Insurance	143,070	-	143,070
Management fee	48,000	-	48,000
Arbitrage expense	-	167,877	167,877
Principal payments	-	1,260,000	1,260,000
Interest	-	681,104	681,104
Capital expenditures	34,917	-	34,917
Office expenditures	29,044	-	29,044
Miscellaneous expenditures	-	-	-
Trustee fees	7,838	-	7,838
Security	140,742	-	140,742
Repairs & replacements	120,232	-	120,232
Janitorial services	<u>141,323</u>	<u>-</u>	<u>141,323</u>
Total expenditures	1,617,580	2,108,981	3,726,561
Excess (Deficiency) of Revenues Over Expenditures	<u>(147,081)</u>	<u>(79,127)</u>	<u>(226,208)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from Debt Service Fund	-	-	-
Payment to refunded bond escrow agent	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(147,081)	(79,127)	(226,208)
FUND BALANCE - BEGINNING OF FISCAL YEAR	<u>375,906</u>	<u>4,180,854</u>	<u>4,556,760</u>
FUND BALANCE - END OF FISCAL YEAR	<u>\$ 228,825</u>	<u>\$ 4,101,727</u>	<u>\$ 4,330,552</u>

**SUNRISE LAKES PHASE 4 RECREATION DISTRICT  
RECONCILIATION: GOVERNMENTAL FUNDS- STATEMENT OF  
REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE GOVERNMENT WIDE STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2015**

Total net change in fund balances - governmental funds	\$	(226,208)
--	----	-----------

Amounts reported for governmental activities in the statement of activities are different because:

Subtractions:

Depreciation and amortization expense	\$	(268,785)
---------------------------------------	----	-----------

Additions:

Purchase of Fixed Assets		34,917
--------------------------	--	--------

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		<u>1,260,000</u>
--	--	------------------

Net differences	\$	<u>1,026,132</u>
-----------------	----	------------------

Change in net assets of governmental activities	\$	<u><u>799,924</u></u>
---	----	-----------------------

# SUNRISE LAKES PHASE 4 RECREATION DISTRICT NOTES TO FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2015

## A) Summary of Significant Accounting Policies

**Background and Organization** - Sunrise Lakes Phase 4 Recreation District, (the District), was incorporated as a political subdivision of the State of Florida under Section 418, Florida Statutes. In April 1994 the City Commission of the City of Sunrise, Florida created the District, subject to approval by referendum of the voters within the District under City Ordinance Number 429. The referendum, which was held in June 1994, approved the establishment of the District, and simultaneously approved the issuance of approximately \$28,000,000 of general obligation and revenue bonds to be used for the purposes outlined below.

The boundaries of the District are identical with those of Sunrise Lakes Phase 4 (Phase 4), an age restricted condominium development consisting of 2,536 units in 66 buildings, located in Sunrise, Florida.

The District was formed to purchase the recreation lease payment stream due to Leisure Communities, Inc., a subsidiary of Lennar Homes, Inc. (the Developer), the developer of Phase 4. These lease payments were previously paid by the owners of condominium apartments for the use of the recreation facilities located within Phase 4.

These recreation facilities consist of a 34,000 square foot main clubhouse, including a 1,000 seat auditorium, a 6,000 square foot multipurpose room with kitchen facilities, billiard room, card room, hobby room, craft room, separate men's and women's exercise rooms, a 2,400 square foot heated pool, three tennis courts, six shuffleboard courts, and five handball courts. The five satellite clubhouses are approximately 2,600 square feet each, and include a card room, meeting room, billiard room and kitchen facility, heated pool, and shuffleboard courts.

In March 1995 the District issued two series of general obligation and revenue bonds (the 1995 Series), which totaled approximately \$25,400,000. The proceeds of these bonds were used to purchase the payment stream from the developer, fund the reserve (sinking) fund, fund the renewal and replacement fund, fund accrued interest, and pay legal, accounting and professional fees associated with the issue, and fund the initial operations of the District.

The District owns and operates the recreation facilities previously owned by the Developer and leased to the unit owners of Phase 4. The District's operations include the maintenance of the recreation facilities and the scheduling and running of special events.

A six member Board of Supervisors (the Board) governs the District, and the District has retained a management company to operate the facilities owned by the District.

**Reporting Entity** - In evaluating how to define the governmental entity, the District considered all potential component units. The decision to exclude component units was made by applying the criteria defined by Governmental Accounting Standards Board (GASB) Statement No. 14. The basic criteria for including a component unit is the authority to appoint a voting majority of an organization's governing board, ability to impose its will on that organization, the potential for that organization to provide specific financial benefits or impose specific financial burdens and that organization's fiscal dependency. Based on these criteria, there are no component units.

**SUNRISE LAKES PHASE 4 RECREATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2015**

**A) Summary of Significant Accounting Policies (continued)**

**Related Organization** - The recreation facilities were operated by Sunrise Lakes Phase 4 Recreation Association, Inc. (Rec Association) prior to the purchase from the Developer by the District. The members of the Rec Association are the same as the voters entitled to vote in the referendum that established the District. The Rec Association was and is a condominium association incorporated under and subject to Section 718, Florida Statutes. As such, the Rec Association, in compliance with Florida Statutes, provided for reserves for painting, paving and roofing. The Rec Association contributed these reserves, along with certain other position, to the District. In addition, the Rec Association purchased the golf course located in Phase 4 from the Developer at the same time the District purchased the position described above.

**Basis of Presentation - Fund Accounting** - The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its position, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into fund and account group types as follows:

**Fund Accounting - Governmental Funds** - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable position is assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds.

**General Fund** - The General Fund is used to account for all financial resources not required to be accounted for in other funds, including the regular operations of the recreation facilities.

**Debt Service Fund** - Debt Service Funds account for the accumulation of resources for and the payment of general long-term debt principal, interest and related costs.

**Measurement Focus - Governmental Fund Types** - The accounting and reporting treatment applied to a fund is determined by its measurement focus. – General and Debt Service Funds are accounted for on a “spending” or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on the statements of financial position. Accordingly, the reported undesignated fund balances (net current assets) are considered a measure of available, spendable or appropriable resources. Governmental fund type operating statements present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current position.

**SUNRISE LAKES PHASE 4 RECREATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2015**

**A) Summary of Significant Accounting Policies (continued)**

**Basis of Presentation - Fund Accounting (continued)**

**Basis of Accounting - Governmental Fund Types** - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. General and Debt Service Funds are accounted for using the modified accrual basis of accounting, under which revenues are recognized when they become both measurable and available as net current assets. Expenditures and the related liabilities are recognized when incurred under this method of accounting. An exception to this general rule includes principal and interest on general long-term debt and compensated absences, which are typically recognized when currently payable. In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: earnings on investments, state and local government funds, fees and admissions, and fines and forfeitures. The major revenue source not susceptible to accrual is donations, which is not considered measurable until received.

**Budgets and Budgetary Accounting** - The District prepares its budgets utilizing the basis of accounting noted above. The statements of revenue, expenditures, and changes in fund balance - actual compared to budget use these budgets adopted by the District.

**Fund Balances – Governmental Funds**

Restricted fund balances – fund balances with constraints placed on the use of the resources by creditors, grantors, contributors or laws or regulations of other governments.

Committed fund balances - fund balances that can only be used pursuant to constraints imposed by the District's Board of Supervisors through resolution or other Board action.

Assigned fund balances – fund balances constrained by intent to be used for specific purposes but are neither restricted nor committed. Assignments can be made by District management based on direction from the Board of Supervisors.

Unassigned fund balances- fund balances available for use by the District or management without constraints.

**Basis of Presentation - Government-Wide Financial Statements** - The Statement of Net Position and the Statement of Activities display information about the District as a whole.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**SUNRISE LAKES PHASE 4 RECREATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2015**

**A) Summary of Significant Accounting Policies (continued)**

**Basis of Presentation - Government-Wide Financial Statements (continued)** - The government-wide Statement of Activities presents a comparison between expenses and program revenues of the governmental activities. Program revenues include charges paid by the Rec Association, on a per unit, per month basis, for the use of the Rec Facilities; charges paid by the Rec Association on a per unit, per month basis, for principal and interest payments; and minimum charges paid by patrons attending shows, dances and movies that are not intended to recover the costs of those activities. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment (if applicable) is self-financing or draws from the general revenues of the District.

**Net Position - Government-Wide Financial Statements** - Net position represents the difference between position and liabilities. The District reports three categories of net position as follows:

Invested in capital assets, net of related debt- consists of net capital position reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction or improvement of those assets.

Restricted net position- net position are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District's bond covenants require such restrictions.

Unrestricted net position- consist of all other net position that do not meet the definition of the above two components and available for general use of the District.

**Investments** - Investments consist of United States Treasury securities.

**Cash and Cash Equivalents** - Cash and cash equivalents are either demand deposit accounts, certificates of deposit or money market accounts. For financial reporting purposes, cash and cash equivalents includes all demand deposit, savings and money market accounts, and certificates of deposits with maturities of less than 90 days from September 30, 2015.

**Capital Position** – Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. The estimated historical costs used appraised values when needed for material capital assets as of September 30, 2005, which were then discounted to the original purchase date. Public domain (“infrastructure”) fixed assets consisting of land, land improvements, buildings, and lighting systems are capitalized with other general fixed assets. Donated fixed assets are valued at their estimated fair value (if readily determinable) on the date of donation. Depreciation is calculated using the straight-line method over the applicable lives (See Note D).

**Use of Unrestricted versus Restricted Resources** - It is the District's policy to use restricted resources before using unrestricted resources when both are available to pay the expenses.

**SUNRISE LAKES PHASE 4 RECREATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2015**

**A) Summary of Significant Accounting Policies (continued)**

**Property Taxes**

**Property Tax Calendar** - Ad valorem property taxes are levied based on values as of January 1 of each year. The levy actually occurs when the millage rate is adopted by passage of the budget by the governing body of the District during August or September of each year. The initial due date is the November 1 following the levy, and taxes are considered delinquent if not paid by March 31 of the year following the levy.

Ad valorem taxes, which must be levied by the District under certain circumstances (see Note E), are assessed and collected through various divisions of Broward County, Florida, which charges one percent of the tax collected as an administrative fee. In addition, the initial due date of the taxes, as noted above, is November 1. For taxes paid in the months of November through February, taxpayers are entitled to take discounts from the levy amount as follows:

<u>Month</u>	<u>Percent Discount</u>
November	4
December	3
January	2
February	1

Taxes paid in March are paid at the full amount of the levy; no discount is allowed. Taxes become delinquent on April 1 of the following year and bear interest at eighteen percent until a tax certificate is sold at auction.

**Property Tax Collections** - Since the District has full taxing, lien and foreclosure powers as outlined in its charter under Florida Statutes, no allowance for uncollectible property taxes is provided because the property is subject to tax certificate sale and ultimate foreclosure if the taxes are not paid. In addition, no allowance is necessary because the District levied no ad valorem taxes for the year ended September 30, 2015.

**Property Tax Revenue** - The District includes in this caption all tax payments, redemptions of tax certificates, and proceeds from tax sales.

**User and Membership Fees** - The District charges a fee to the Rec Association, on a per unit, per month basis, for the use of the Recreation Facilities. For the first three months of the fiscal year ended September 30, 2015 the charges were \$108.75 per month and the last nine months of the year the charges were \$108.75. Of the total amounts charged, \$60.50 (the "user" fee) is allocated for principal and interest payments and therefore recorded in the Debt Service Fund as General Revenue - Recreation Fees, and the \$48.25 for the first three months and the \$48.25 for the last nine months (the "membership" fee) is allocated for general operations and is therefore recorded in the General Fund as General Revenue - Maintenance Fees.

**Management and Accounting Estimates** - The preparation of financial statements in conformity with generally accepted governmental accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**SUNRISE LAKES PHASE 4 RECREATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2015**

**B) Cash and Cash Equivalents**

All cash and cash equivalents are held at financial institutions covered under the Federal Depository Insurance Corporation (FDIC). In addition, all time and demand deposits are held in banking institutions approved by the State Treasurer to hold public deposits in accordance with the "Florida Security for Public Deposits Act", Chapter 280 Florida statutes. Financial institutions qualifying under the Act constitute a state approved Multiple Financial Institution Collateral Pool, as defined by Statement Number 3 of the Governmental Accounting Standards Board (GASB). Such deposits are considered fully insured and are not classified by credit risk. In the event of a failure of any member in the pool, the Public Deposit Security Trust Fund has a procedure whereby the remaining member institutions would be responsible for covering any resulting losses. Accordingly, all amounts reported as demand deposits or certificates of deposit are deemed insured and are, therefore, not subject to classification by credit risk category under the provisions of GASB Statement Number 3.

**C) Investments**

The District's investment policies are governed by Florida statutes, local ordinances, and bond covenants. The District does not have a written investment policy and therefore, Florida Statute 218.415 limits the types of investments to which the District may invest. As such, it may only invest surplus public funds in the State Pool or similar, highly-rated money market funds, time deposits or savings accounts, or direct obligations of the U.S. Treasury (See Note B). Allowable investments include investments in the Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in s. 163.01, Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency, interest-bearing time deposits or savings accounts in qualified public depositories, as defined in s. 280.02 and direct obligations of the U.S. Treasury. The securities listed above shall be invested to provide sufficient liquidity to pay obligations as they come due.

Investments at September 30, 2015 consist of the following:

<u>Investments</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Cost</u>	<u>Face Value</u>	<u>Market Value</u>
U.S. Treasury Note	08/15/23	6.25	\$ 2,404,156	\$ 2,475,000	\$ 3,273,113

Investment income during the year ended September 30, 2015 consisted of the following:

<u>Investment income (loss)</u>	<u>Amount</u>
Interest income	\$ 155,757
Unrealized gain (loss) on investments	33,957
<b>Total investment Income (loss)</b>	<b>\$ 189,714</b>



**SUNRISE LAKES PHASE 4 RECREATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2015**

**D) Capital Assets**

Governmental-type capital assets include land, buildings, furniture and fixtures, machinery and equipment, vehicles, construction in progress, leasehold improvements and infrastructure owned by the District and are stated at historical or estimated historical cost. Donated capital assets (if any) are stated at estimated market value at the time of donation. The District's threshold for capitalization of assets is \$750 and a lifetime of at least two years. Depreciation for governmental-type capital assets is provided using the straight-line method over the estimated life of the asset. Depreciation lives used for property items within each property classification are as follows:

Description	Life in years	Description	Life in years
Buildings	40	Furniture/Fixtures	7 or 10
Machinery/Equipment	5 or 10	Parking Lots/Pavement	10
Vehicles	5	Site improvements	20

Depreciation is charged as an expense against operations and capital assets are shown in summary by similar classes and accumulated depreciation is shown in total on the Statement of Net Position.

Activity related to capital assets for the District for the year ended September 30, 2015, was as follows:

	Beginning of Year	Additions	Retirements	End of Year
Land	\$ 2,700,000	\$ -	\$ -	\$ 2,700,000
Buildings	4,943,671	-	-	4,943,671
Parking/Paving/Site Improvements	1,642,000	-	-	1,642,000
Machinery/Equipment/Vehicles	363,988	9,970	-	373,958
Furniture/Fixtures	719,165	24,947	-	744,112
	<u>\$ 10,368,824</u>	<u>\$ 34,917</u>	<u>\$ -</u>	<u>\$ 10,403,741</u>

Activity related to depreciation for the District for the year ended September 30, 2015, was as follows:

	Beginning of Year	Additions	Retirements	End of Year
Land	\$ -	\$ -	\$ -	\$ -
Buildings	2,384,046	123,592	-	2,507,638
Parking/Paving/Site Improvements	1,590,000	41,350	-	1,631,350
Machinery/Equipment/Vehicles	199,615	48,024	-	247,639
Furniture/Fixtures	615,116	23,206	-	638,322
	<u>\$ 4,788,777</u>	<u>\$ 236,172</u>	<u>\$ -</u>	<u>\$ 5,024,949</u>

**SUNRISE LAKES PHASE 4 RECREATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2015**

**E) General Obligation and Revenue Bonds Payable**

The full faith and credit of the District is pledged for payment of the principal and interest due on the 2008 Series Bonds. The payments are also guaranteed by the District's authority to levy ad valorem taxes and membership and user fees on the residents of the District. It is the intention of the District to use only user and membership fees for the principal and interest payments. The Bond Indenture provides, however, that an ad valorem tax will be levied each year that the monies available to the District for payment of bonds, excluding ad valorem taxes, are insufficient to pay the principal and interest due on the 2008 Series Bonds. The Indenture provides, in addition, that the assessment of ad valorem taxes will be waived if at July 10 of that year, the monies available to the District for payment of the bonds are equal to or greater than the principal and interest and requirements for the three immediately succeeding interest payment dates. The interest rates on the bonds range from 3.0% to 4.125% with interest due in February and August and the annual requirement for the retirement of bonds payable due in August. The following is a summary of the changes in general long-term debt for the year ended September 30, 2015:

	<u>Beginning of Year</u>	<u>New Issues</u>	<u>Principle Repayments</u>	<u>End of Year</u>
General Obligation Debt: Refunding - Series 1998	\$ -	\$ -	\$ -	\$ -
General Obligation Debt: Refunding - Series 2008	\$ 17,440,000	\$ -	\$ 1,260,000	\$ 16,180,000
TOTALS	<u>\$ 17,440,000</u>	<u>\$ -</u>	<u>\$ 1,260,000</u>	<u>\$ 16,180,000</u>

The following is a schedule of the maturities of the 2008 Series Bonds.

The following is a schedule of the interest payments required for the 2008 Series Bonds.

<u>For the year Ended</u> <u>September 30,</u>	<u>Amount</u>	<u>For the 4 years ended</u> <u>September 30,</u>	<u>Amount</u>
2016	\$ 637,004	2024	1,098,225
2017	589,844		
2018	542,594		
2019	489,906		-
2020	431,906	Total all years	<u>\$ 3,789,479</u>

<u>Bond Maturity</u>	<u>Amount</u>	<u>Bond Maturity</u>	<u>Amount</u>
8/1/2016	1,310,000	8/2/2022	1,635,000
8/2/2017	1,350,000	8/2/2023	1,700,000
8/2/2018	1,405,000	8/1/2024	4,245,000
8/2/2019	1,450,000		
8/1/2020	1,510,000		
8/2/2021	1,575,000		
Total all years		<u>\$ 16,180,000</u>	

**SUNRISE LAKES PHASE 4 RECREATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2015**

**F) Prior Year Debt Defeasance**

In March 1998, the District issued General Obligation and Revenue Refunding and Completion Bonds, Series 1998 (Series 1998 Bonds) totaling \$28,895,000 to refund and defease all of the District's outstanding General Obligation and Revenue Bonds, Series 1995A and General Obligation and Revenue Bonds, Series 1995B (Refunded Bonds) totaling \$24,820,000 which were issued for the purposes as described in Note A. An irrevocable trust with an escrow agent was established to provide debt service payments until the bonds are called. The proceeds from the refunding bonds were invested such that the maturity of the investments would match the debt service payments of the refunded bonds until such time as the bonds are called. This prior year refunding met the requirements of an in-substance defeasance.

Since the bond refunding met the criteria of an in-substance defeasance, the liability has been removed from the financial statements.

In February 2008, the District again refinanced in bonded indebtedness by issuing \$24,745,000 General Obligation and Revenue Refunding and Completion Bonds, Series 2008. The 2008 refunding reduced the District's total debt service requirements by approximately \$294,802, of which resulted in an economic gain of approximately \$988,225.

The annual discount rate used for purposes of the calculation of the economic gain on the second advance refunding was 3.99%.

After deducting the discount of \$291,556 and transferring \$505,829 to the closing agent, the District had available \$24,959,273 at the closing agent. Underwriting fees and other issuance costs were \$405,923. Net proceeds of \$23,557,610 were used to purchase U.S. government securities deposited in an irrevocable trust with an escrow agent in the amount of \$23,308,939 and bond insurance in the amount of \$248,671. The remaining proceeds of \$980,970 were used to pay an amount due on the deferred payment to the developer (see Note I) of \$588,582 and a transfer to the District's General Fund of \$392,202 (See Note A).

An irrevocable trust with an escrow agent was established to provide debt service payments until the bonds are called. The proceeds from the refunding bonds were invested such that the maturity of the investments would match the debt service payments of the refunded bonds until such time as the bonds are called. This current year refunding met the requirements of an in-substance defeasance. Since the bond refunding met the criteria of an in-substance defeasance, the liability has been removed from the financial statements.

**SUNRISE LAKES PHASE 4 RECREATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2015**

**F) Prior Year Debt Defeasance (continued)**

As a result, at September 30, 2015, the following amount of defeased debt has been removed from the General Long Term Debt Account Group:

Bond Issue	Amount
District General Obligation and Revenue Bonds Series 1995A	\$ 13,795,000
District General Obligation and Revenue Bonds Series 1995B	800,000
District General Obligation and Revenue Bonds Series 1998	<u>15,510,000</u>
Total outstanding defeased bond issues	<u>\$ 30,105,000</u>

**G) Transactions with Recreation Association**

The District has set up a user and membership fee schedule and charges these amounts to the Recreation Association on a per unit basis. The Recreation Association then bills each unit owner for the user and membership fees which total \$108.75 for the first three months and \$108.75 for the last nine months of the year ended September 30, 2015. The Recreation Association, as a condominium association, also has lien and foreclosure rights against the real property located within the District and the Association for unpaid assessments.

In addition, the Board of Supervisors of the District has the same membership as the Board of Directors of the Recreation Association.

**H) Risk Financing**

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, illnesses of and injuries to employees. Some of this risk is subject to limitations imposed by sovereign immunity and Florida law applicable to tort settlements.

The District maintains insurance policies for property and general liability, boiler and machinery, flood, general umbrella, workers compensation, bond payment, and certain employee accident and health insurance.

It is the District's policy to report liabilities when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. At September 30, 2015, no claims meeting this definition are known to exist, nor are any incurred but not reported (IBNR) claims estimated to exist. Accordingly, no liabilities resulting from claims or uncertainties are reported in the financial statements at September 30, 2015 except as noted below in Note L.

**SUNRISE LAKES PHASE 4 RECREATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2015**

**I) Contingent Liability**

**Deferred Payment to Developer** - The Agreement also provides that certain deferred payments, resulting from savings realized from advance refunding of all or a portion of the 2008 Series bonds, could be payable to the Developer. The total deferred payments that could be payable are \$2,500,000 plus interest less \$654,655 previously paid with the 1998 Series bonds and \$588,582 paid with the 2008 Series Bonds. The Developer has the right, if certain savings are available to the District, to compel the issuance of additional Refunding and Completion Bonds to discharge the District's obligation under this deferred payment provision.

**J) Concentrations of Credit Risk**

**Cash and Investments in Excess of Insured Limits** - Financial instruments which potentially subject the District to concentration of credit risk are primarily cash in banks and money market accounts with an investment broker. The District invests its cash in both deposit accounts and high quality short-term liquid money market instruments with major financial institutions and brokers. The carrying value approximates market value. The District believes it is not exposed to any significant credit risk and has not experienced any losses related to these investments. As of September 30, 2015 the District had no cash in banks in excess of the Federal Deposit Insurance Corporation (FDIC) insured limit for demand deposit accounts \$250,000. If any of District's cash balances were in excess of the FDIC insured amounts, they would be fully insured since they are deposited with banking institutions approved by the State Treasurer to hold public funds as discussed more fully in Note B above.

In addition, the District had approximately \$3,596,425 at a brokerage house in excess of the Securities Investor Protection Corporation insured limit of \$500,000.

**K) Negative Balances and Implementation of New Accounting Standards**

**Unrestricted net position in governmental activities** - As of September 30, 2015 there is a negative net position amount in the governmental wide statement of net position of approximately \$6,193,537. It is a result of the District's implementation of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended and interpreted and the related recognition of individual fixed assets and depreciation.

In June of 1994, the District made a lump sum purchase, through the issuance of general obligation and revenue bonds, of all fixed assets or facilities that comprised the District at that time. The purchase price and the bond issuance was based on the future value of all long-term lease contracts that were previously being charged for the use of the facilities and was not based on appraised or estimated values of the individual assets of the facilities. Under GASB Statement No. 34, the District was required to reclassify amounts and balances based on actual appraised or estimated values of those individual assets plus any improvements since June of 1994. Additionally, accumulated and current year depreciation is being charged to the funds in which the assets are used.

As a result of this implementation to record individual fixed assets and depreciation, there were significant amounts that required changes to prior year's balances. As of September 30, 2015, there were no accounting principles generally accepted in the United States under which a governmental

**SUNRISE LAKES PHASE 4 RECREATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2015**

**K) Negative Balances and Implementation of New Accounting Standards (Continued)**

entity may record the amounts paid in excess of appraised or estimated values as any type of intangible asset. Therefore, the changes made under the new reporting model required an adjustment that reduced fund balances or net position in the government-wide financial statements resulting in the presentation of negative balances in those accounts. In previous years the audit reports had reflected that the District may have technically met one of the conditions to determine a financial emergency. These calculations were based on the government-wide financial statements. As a result of a new interpretation of the financial emergency rules by the Florida Auditor General, the calculation has been revised to be based on the governmental fund financial statements. The fund balances on the fund accounting basis are: general fund, \$228,825; debt service fund, \$4,101,727. Using the fund financial statements, the District does not meet any of the conditions of a financial emergency as defined in Florida Statutes Section 218.503(1).

**L) Litigation**

In preparing the financial statements, the District has evaluated events and transactions for potential recognition or disclosure through June 15, 2016, the date that the financial statements were available to be issued.

In December 2013 the District was sued by a terminated management employee for approximately \$90,000 in severance pay under an agreement of questionable validity. The District has settled the suit in court ordered mediation in 2015 for \$35,000.

**M) Interest Arbitrage Interest**

During the year ended September 30, 2015 the District completed a retrospective five year calculation of the amounts due to the Internal Revenue Service for the 90% of the difference between the actual interest earned on the District's investments and amount of allowable interest that would have been earned if the effective interest rate on the bonds was used to calculate the interest. This calculation was done by an independent consultant based on current IRS regulations.

**N) Subsequent Events**

In preparing the financial statements, the District has evaluated events and transactions for potential recognition or disclosure through June 15, 2016, the date that the financial statements were available to be issued.

**SUNRISE LAKES PHASE 4 RECREATION DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - ACTUAL  
COMPARED TO BUDGET - GENERAL FUND  
YEAR ENDED SEPTEMBER 30, 2015**

	Original / Final Appropriated Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenue</u>			
General revenue	\$ 1,545,612	\$ 1,468,344	\$ (77,268)
Shows, dances, & movies (net)	(21,564)	(31,510)	(9,946)
Interest income	18,000	996	(17,004)
Other income	8,220	32,669	24,449
Total Revenue	1,550,268	1,470,499	(79,769)
<u>Expenditures</u>			
Salaries and fringe benefits	302,784	368,040	(65,256)
Printing	36,000	49,293	(13,293)
Telephone and communications	21,600	31,724	(10,124)
Utilities	200,004	194,425	5,579
Maintenance and repair	209,484	206,269	3,215
Professional fees	76,668	102,664	(25,996)
Insurance	93,804	143,070	(49,266)
Management fee	48,000	48,000	-
Capital expenditures	-	34,917	(34,917)
Office expenditures	30,792	29,044	1,748
Miscellaneous expenditures	-	-	-
Trustee fees	8,700	7,838	862
Security	141,900	140,741	1,159
Repairs & replacements	171,204	120,232	50,972
Janitorial services	118,608	141,323	(22,715)
Total Expenditures	1,459,548	1,617,580	(158,032)
Excess (Deficiency) of Revenue over Expenditures	90,720	(147,081)	(237,801)
<u>Other Financing Sources (Uses)</u>			
Transfer from Debt Service Fund	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Excess (Deficiency) of Revenue and Other Sources over Expenditures and Other Uses	90,720	(147,081)	(237,801)
Fund Balance (Deficit) Beginning of period	375,906	375,906	-
Fund Balance (Deficit) End of period	\$ 466,626	\$ 228,825	\$ (237,801)

**SUNRISE LAKES PHASE 4 RECREATION DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - ACTUAL  
COMPARED TO BUDGET - DEBT SERVICE FUND  
YEAR ENDED SEPTEMBER 30, 2015**

	Original / Final Appropriated Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenue</u>			
General revenue	\$ 1,841,136	\$ 1,841,136	\$ -
Interest income	18,000	154,761	136,761
Unrealized gain (loss) on investments	-	33,957	33,957
Total Revenue	<u>1,859,136</u>	<u>2,029,854</u>	<u>170,718</u>
<u>Expenditures</u>			
Principal and interest payments	1,841,136	1,941,104	(99,968)
Interest arbitrage	-	167,877	(167,877)
Other expenditures	-	-	-
Total Expenditures	<u>1,841,136</u>	<u>2,108,981</u>	<u>(267,845)</u>
Excess (Deficiency) of Revenue over Expenditures	<u>18,000</u>	<u>(79,127)</u>	<u>(97,127)</u>
<u>Other Financing Sources (Uses)</u>			
Transfer to General Fund		-	
Proceeds of refunding bonds		-	-
Payment to refunded bond escrow agent		-	-
Deferred Payment to Developer	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenue and Other Sources over Expenditures and Other Uses	18,000	(79,127)	(97,127)
Fund Balance (Deficit) Beginning of period	<u>4,180,854</u>	<u>4,180,854</u>	<u>-</u>
Fund Balance (Deficit) End of period	<u>\$ 4,198,854</u>	<u>\$ 4,101,727</u>	<u>\$ (97,127)</u>





Frank J. Horkey, CPA, CFST\* - fhorkey@horkeycpa.com

William Diamond, CPA, CFST\* - wdiamond@horkeycpa.com

Linda M. Arnold, CPA - larnold@horkeycpa.com

\* Certified in Florida Sales Tax

**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**

June 15, 2016

To the Board of Supervisors  
Sunrise Lakes Phase 4 Recreation District

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 and the related notes to financial statements of Sunrise Lakes Phase 4 Recreation District, (the District), as of and for the year ended September 30, 2015, and have issued our report thereon dated June 15, 2016.

**Internal Control over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a significant deficiency, or 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 material weaknesses or significant deficiencies. 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.



America Counts on CPAs

7301 NW 4<sup>th</sup> Street Suite 102 Plantation FL 33317-2234  
Telephone: 954 742-3001 Facsimile: 954 572-3057  
FEI #65-0266803

### **Compliance and Other Matters**

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

*Horkey & Associates, P.A.*

Certified Public Accountants  
Plantation, Florida



Frank J. Horkey, CPA, CFST\* - fhorkey@horkeycpa.com

William Diamond, CPA, CFST\* - wdiamond@horkeycpa.com

Linda M. Arnold, CPA - larnold@horkeycpa.com

\* Certified in Florida Sales Tax

**MANAGEMENT LETTER IN ACCORDANCE WITH  
RULES OF THE FLORIDA AUDITOR GENERAL,  
CHAPTER 10.550**

June 15, 2016

To the Board of Supervisors  
Sunrise Lakes Phase 4 Recreation District  
Sunrise, Florida

We have audited the financial statements of the Sunrise Lakes Phase 4 Recreation District (the District), as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated June 15, 2016.

**Auditor's Responsibility**

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 and Chapter 10.550, Rules of the Auditor General.

**Other Reports**

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, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 15, 2016, should be considered in conjunction with this management letter.

**Prior Audit Findings**

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In connection with our audit, we did not have any such findings in the previous year's audit.

**Official Title and Legal Authority**

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name of 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 is disclosed in Note A of the District's financial statement.



America Counts on CPAs

7301 NW 4<sup>th</sup> Street Suite 102 Plantation FL 33317-2234

Telephone: 954 742-3001 Facsimile: 954 572-3057

FEI #65-0266803

### **Financial Condition**

Section 10.554(1)(i)5a., Rules of the Auditor General, requires a statement be included as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we have determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes (See Note K).

Pursuant to Sections 10.554(1)(i)5c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. 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.

### **Annual Financial Report**

Section 10.554(1)(i)5b., Rules of the Auditor General, requires that we determine whether the annual financial report for District for the fiscal year ended September 30, 2015, filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. We have determined that the audit report and the report filed with the Department of Financial Services are in agreement.

### **Other Matters**

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures and internal controls. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address 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 have 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, applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Horkey & Associates, P.A.*

Certified Public Accountants  
Plantation, Florida



Frank J. Horkey, CPA, CFST\* - fhorkey@horkeycpa.com

William Diamond, CPA, CFST\* - wdiamond@horkeycpa.com  
Linda M. Arnold, CPA - larnold@horkeycpa.com

\* Certified in Florida Sales Tax

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

June 15, 2016

To the Board of Supervisors  
Sunrise Lakes Phase 4 Recreation District  
Sunrise, Florida

We have examined Sunrise Lakes Phase 4 Recreation District's (the District) compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2015. Management is responsible for District's compliance with those requirements. Our responsibility is to express an opinion on District's compliance based on our examination.

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

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

This 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, applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Horkey & Associates, P.A.*

Certified Public Accountants  
Plantation, Florida



America Counts on CPAs

7301 NW 4<sup>th</sup> Street Suite 102 Plantation FL 33317-2234  
Telephone: 954 742-3001 Facsimile: 954 572-3057  
FEI #65-0266803