

**Southern Hills Plantation III Community
Development District**

ANNUAL FINANCIAL REPORT

September 30, 2017

Southern Hills Plantation III Community Development District

ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2017

TABLE OF CONTENTS

	<u>Page Number</u>
REPORT OF INDEPENDENT AUDITORS	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet – Governmental Funds	10
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	11
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	14
Notes to Financial Statements	15-21
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>	22-23
MANAGEMENT LETTER	24-26
INDEPENDENT ACCOUNTANT'S REPORT/COMPLIANCE WITH SECTION 218.45, FLORIDA STATUTES	27



Berger, Toombs, Elam, Gaines & Frank

Certified Public Accountants PL

600 Citrus Avenue
Suite 200
Fort Pierce, Florida 34950

772/461-6120 // 461-1155
FAX: 772/468-9278

REPORT OF INDEPENDENT AUDITOR'S

To the Board of Supervisors
Southern Hills Plantation III Community Development District
Hernando County, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of Southern Hills Plantation III Community Development District as of and for the year ended September 30, 2017, and related notes to the 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Fort Pierce / Stuart

- 1 -



To the Board of Supervisors
Southern Hills Plantation III Community Development District

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, and the major fund of Southern Hills Plantation III Community Development District as of September 30, 2017, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Management's Discussion and Analysis

The Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated April 27, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southern Hills Plantation III Community Development District's internal control over financial reporting and compliance.

*Berger Toombs Elam
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

April 27, 2018

**Southern Hills Plantation III Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2017**

Management's discussion and analysis of Southern Hills Plantation III Community Development District (the "District") financial performance provides an objective and easily readable analysis of the District's financial activities. The analysis provides summary financial information for the District and should be read in conjunction with the District's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's basic financial statements comprise three components; 1) *Government-wide financial statements*, 2) *Fund financial statements*, and 3) *Notes to financial statements*. The *Government-wide financial statements* present an overall picture of the District's financial position and results of operations. The *Fund financial statements* present financial information for the District's major funds. The *Notes to financial statements* provide additional information concerning the District's finances.

The *Government-wide financial statements* are the **statement of net position** and the **statement of activities**. These statements use accounting methods similar to those used by private-sector companies. Emphasis is placed on the net position of governmental activities and the change in net position. Governmental activities are primarily supported by special assessments.

The **statement of net position** presents information on all assets and liabilities of the District, with the difference between assets and liabilities reported as net position. Net position is reported in three categories; 1) net investment in capital assets, 2) restricted, and 3) unrestricted. Assets, liabilities, and net position are reported for all Governmental activities.

The statement of activities presents information on all revenues and expenses of the District and the change in net position. Expenses are reported by major function and program revenues relating to those functions are reported, providing the net cost of all functions provided by the District. To assist in understanding the District's operations, expenses have been reported as governmental activities. Governmental activities financed by the District include general government and physical environment.

Fund financial statements present financial information for governmental funds. These statements provide financial information for the major funds of the District. Governmental fund financial statements provide information on the current assets and liabilities of the funds, changes in current financial resources (revenues and expenditures), and current available resources.

**Southern Hills Plantation III Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund financial statements include a **balance sheet** and a **statement of revenues, expenditures and changes in fund balances** for all governmental funds. A **statement of revenues, expenditures, and changes in fund balances – budget and actual** is provided for the District's General Fund. *Fund financial statements* provide more detailed information about the District's activities. Individual funds are established by the District to track revenues that are restricted to certain uses or to comply with legal requirements.

The *government-wide financial statements* and the *fund financial statements* provide different pictures of the District. The *government-wide financial statements* provide an overall picture of the District's financial standing. These statements are comparable to private-sector companies and give a good understanding of the District's overall financial health and how the District paid for the various activities, or functions, provided by the District. All assets of the District, including buildings and improvements, and infrastructure are reported in the **statement of net position**. All liabilities, including principal outstanding on bonds are included. The **statement of activities** includes depreciation on all long lived assets of the District, but transactions between the different functions of the District have been eliminated in order to avoid "doubling up" the revenues and expenses. The *fund financial statements* provide a picture of the major funds of the District. In the case of governmental activities, outlays for long lived assets are reported as expenditures and long-term liabilities, such as general obligation bonds, are not included in the fund financial statements. To provide a link from the *fund financial statements* to the *government-wide financial statements*, reconciliations are provided from the *fund financial statements* to the *government-wide financial statements*.

Notes to financial statements provide additional detail concerning the financial activities and financial balances of the District. Additional information about the accounting practices of the District, investments of the District, capital assets and long-term debt are some of the items included in the *notes to financial statements*.

Financial Highlights

The following are the highlights of financial activity for the year ended September 30, 2017.

- ◆ The District's total liabilities exceeded total assets by \$(615) (net position).
- ◆ Governmental activities revenues totaled \$97,954 while governmental activities expenses totaled \$78,878.

**Southern Hills Plantation III Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District

The following schedule provides a summary of the assets, liabilities and net position of the District and is presented by category for comparison purposes.

Net Position

	Governmental Activities	
	2017	2016
Current assets	\$ 70,924	\$ 52,263
Current liabilities	71,539	71,954
Net Position		
Unrestricted	(615)	(19,691)
Total Net Position	\$ (615)	\$ (19,691)

The increase in current assets is the amount due from developer at year end.

The increase in net position is primarily related to the write-off of a prior year accounts payable.

**Southern Hills Plantation III Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District (Continued)

The following schedule provides a summary of the changes in net position of the District and is presented by category for comparison purposes.

Change In Net Position

	Governmental Activities	
	2017	2016
Program Revenues		
Operating contributions	\$ 76,864	\$ 58,836
General Revenues		
Miscellaneous revenues	21,090	-
Total Revenues	<u>97,954</u>	<u>58,836</u>
Expenses		
General government	24,192	28,175
Physical environment	54,686	28,806
Total Expenses	<u>78,878</u>	<u>56,981</u>
Change in Net Position	19,076	1,855
Net Position - Beginning of Year	<u>(19,691)</u>	<u>(21,546)</u>
Net Position - End of Year	<u>\$ (615)</u>	<u>\$ (19,691)</u>

The increase in revenues and expenses is related to the District becoming active again.

General Fund Budgetary Highlights

Actual expenditures were more than the final budget because there was more landscaping related expenditures than were anticipated.

There were no amendments to the September 30, 2017 budget.

Economic Factors and Next Year's Budget

The District does not anticipate any major projects or significant changes for the subsequent fiscal year.

**Southern Hills Plantation III Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2017**

Request for Information

The financial report is designed to provide a general overview of Southern Hills Plantation III Community Development District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Southern Hills Plantation III Community Development District's Finance Department at 2300 Glades Road, Suite 410W, Boca Raton, Florida 33431.

Southern Hills Plantation III Community Development District
STATEMENT OF NET POSITION
September 30, 2017

	Governmental Activities
ASSETS	
Current Assets	
Cash	\$ 2,467
Due from developer	67,267
Deposits	1,190
Total Current Assets	70,924
 LIABILITIES	
Current Liabilities	
Accounts payable and accrued expenses	68,839
Due to developer	2,700
Total Current Liabilities	71,539
 NET POSITION	
Unrestricted	\$ (615)

See accompanying notes to financial statements.

Southern Hills Plantation III Community Development District
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2017

Functions/Programs	Expenses	Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position Governmental Activities
Governmental Activities			
General government	\$ (24,192)	\$ 38,006	\$ 13,814
Physical environment	(54,686)	38,858	(15,828)
Total Governmental Activities	\$ (78,878)	\$ 76,864	(2,014)
	General Revenues		
	Miscellaneous revenues		21,090
	Change in Net Position		19,076
	Net Position - October 1, 2016		(19,691)
	Net Position - September 30, 2017		\$ (615)

See accompanying notes to financial statements.

Southern Hills Plantation III Community Development District
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2017

	General
ASSETS	
Cash	\$ 2,467
Due from developer	67,267
Deposits	1,190
Total Assets	\$ 70,924
 LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	
LIABILITIES	
Accounts payable and accrued expenses	\$ 68,839
Due to developer	2,700
Total Liabilities	71,539
 DEFERRED INFLOWS OF RESOURCES	
Unavailable revenues	67,267
 FUND BALANCES	
Nonspendable - deposits	1,190
Unassigned	(69,072)
Total Fund Balances	(67,882)
Total Liabilities, Deferred Inflows and Fund Balances	\$ 70,924

See accompanying notes to financial statements.

**Southern Hills Plantation III Community Development District
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
September 30, 2017**

Total Governmental Fund Balances	\$ (67,882)
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Unavailable revenues are recognized as deferred inflows at the fund level, but this amount is recognized as revenues at the government-wide level.	<u>67,267</u>
Net Position of Governmental Activities	<u><u>\$ (615)</u></u>

See accompanying notes to financial statements.

Southern Hills Plantation III Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2017

	General
Revenues	
Developer contributions	\$ 53,696
Miscellaneous revenues	21,090
Total Revenues	74,786
Expenditures	
Current	
General government	24,192
Physical environment	54,686
Total Expenditures	78,878
Net change in fund balances	(4,092)
Fund Balances - October 1, 2016	(63,790)
Fund Balances - September 30, 2017	\$ (67,882)

See accompanying notes to financial statements.

**Southern Hills Plantation III Community Development District
RECONCILIATION OF THE STATEMENT
OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2017**

Net Change in Fund Balances - Total Governmental Funds	\$	(4,092)
--	----	---------

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

At the fund level, revenues are recognized when they become available, however, revenues are recognized when they are earned at the government-wide level. This is the amount of the change in earned revenue that was not available.

		<u>23,168</u>
--	--	---------------

Change in Net Position of Governmental Activities	\$	<u><u>19,076</u></u>
---	----	----------------------

See accompanying notes to financial statements.

**Southern Hills Plantation III Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended September 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Developer contributions	\$ 59,753	\$ 59,753	\$ 53,696	\$ (6,057)
Miscellaneous revenues	-	-	21,090	21,090
Total Revenues	<u>59,753</u>	<u>59,753</u>	<u>74,786</u>	<u>15,033</u>
Expenditures				
Current				
General government	30,750	30,750	24,192	6,558
Physical environment	29,003	29,003	54,686	(25,683)
Total Expenditures	<u>59,753</u>	<u>59,753</u>	<u>78,878</u>	<u>(19,125)</u>
Net Change in Fund Balances	-	-	(4,092)	(4,092)
Fund Balances - October 1, 2016	<u>-</u>	<u>-</u>	<u>(63,790)</u>	<u>(63,790)</u>
Fund Balances - September 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (67,882)</u>	<u>\$ (67,882)</u>

See accompanying notes to financial statements.

Southern Hills Plantation III Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

1. Reporting Entity

The District was established on August 2, 2004, pursuant to the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes, as amended (the "Act"), and by Ordinance #678 of the City of Brooksville, Florida, as a Community Development District. The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of the infrastructure necessary for community development within its jurisdiction. The District is authorized to issue bonds for the purpose, among others, of financing, funding, planning, establishing, acquiring, constructing district roads, landscaping, and other basic infrastructure projects within or outside the boundaries of the Southern Hills Plantation III Community Development District. The District is governed by a Board of Supervisors who are elected to four year terms. All the Supervisors are employed by the Developer or a related entity. The District operates within the criteria established by Chapter 190.

As required by GAAP, these financial statements present the Southern Hills Plantation III Community Development District (the primary government) as a stand-alone government. The reporting entity for the District includes all functions of government in which the District's Board exercises oversight responsibility including, but not limited to, financial interdependency, selection of governing authority, designation of management, significant ability to influence operations and accountability for fiscal matters.

Based upon the application of the above-mentioned criteria as set forth in Governmental Accounting Standards Board, The Financial Reporting Entity, the District has identified no component units.

2. Measurement Focus and Basis of Accounting

The basic financial statements of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

Southern Hills Plantation III Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

a. Government-wide Financial Statements

Government-wide financial statements report all non-fiduciary information about the reporting government as a whole. These statements include all the governmental activities of the primary government. The effect of interfund activity has been removed from these statements.

Governmental activities are supported by special assessments and interest. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program

Amounts paid to acquire capital assets are capitalized as assets, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source.

Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

b. Fund Financial Statements

The underlying accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, 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.

Fund financial statements for the primary government's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually.

Southern Hills Plantation III Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds

The District classifies fund balance according to Governmental Accounting Standards Board Statement 54 – Fund Balance Reporting and Governmental Fund Type Definitions. The Statement requires the fund balance for governmental funds to be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The District has various policies governing the fund balance classifications.

Nonspendable Fund Balance – This classification consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance – This classification includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Assigned Fund Balance – This classification consists of the Board of Supervisors' intent to be used for specific purposes, but are neither restricted nor committed. The assigned fund balances can also be assigned by the District's management company.

Unassigned Fund Balance – This classification is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Unassigned fund balance is considered to be utilized first when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Fund Balance Spending Hierarchy – For all governmental funds except special revenue funds, when restricted, committed, assigned, and unassigned fund balances are combined in a fund, qualified expenditures are paid first from restricted or committed fund balance, as appropriate, then assigned and finally unassigned fund balances.

Southern Hills Plantation III Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collected within the current period or soon 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 generally are recorded when a liability is incurred, as under accrual accounting. Interest associated with the current fiscal period is considered to be an accrual item and so has been recognized as revenue of the current fiscal period.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of “available spendable resources”. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources are expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability.

Debt service expenditures are recorded only when payment is due.

3. Basis of Presentation

a. Governmental Major Funds

General Fund – The 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.

Southern Hills Plantation III Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Basis of Presentation (Continued)

b. Non-current Governmental Assets/Liabilities

GASB Statement 34 requires that non-current governmental assets, such as land and improvements, and non-current governmental liabilities, such as general obligation bonds and due to developer be reported in the governmental activities column in the government-wide Statement of Net Position.

4. Assets, Liabilities, and Net Position or Equity

a. Cash and Investments

Florida Statutes require state and local governmental units to deposit monies with financial institutions classified as "Qualified Public Depositories," a multiple financial institution pool whereby groups of securities pledged by the various financial institutions provide common collateral from their deposits of public funds. This pool is provided as additional insurance to the federal depository insurance and allows for additional assessments against the member institutions, providing full insurance for public deposits.

The District is authorized to invest in those financial instruments as established by Section 218.415, Florida Statutes. The authorized investments consist of:

1. Direct obligations of the United States Treasury;
2. The Local Government Surplus Funds Trust or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperative Act of 1969;
3. Interest-bearing time deposits or savings accounts in authorized qualified public depositories; and
4. Securities and Exchange Commission, registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

The District currently has no investments.

Southern Hills Plantation III Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assets, Liabilities, and Net Position or Equity (Continued)

a. Cash and Investments (Continued)

Cash equivalents include time deposits and all highly liquid debt instruments with original maturities of three months or less and held in a qualified public depository as defined by Section 280.02, Florida Statutes.

b. Budgets

Budgets are prepared and adopted after public hearings for the governmental funds, pursuant to Chapter 190, Florida Statutes. The District utilizes the same basis of accounting for budgets as it does for revenues and expenditures in its various funds. The legal level of budgetary control is at the fund level. All budgeted appropriations lapse at year end. A formal budget is adopted for the general fund. As a result, deficits in the budget columns of the accompanying financial statements may occur.

NOTE B – CASH AND INVESTMENTS

All deposits are held in qualified public depositories and are included on the accompanying balance sheet as cash and investments.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk; however, they follow the provisions of Chapter 280, Florida Statutes regarding deposits and investments. As of September 30, 2017, the District's bank balance was \$2,677 and the carrying value was \$2,467. Exposure to custodial credit risk was as follows. The District maintains all deposits in a qualified public depository in accordance with the provisions of Chapter 280, Florida Statutes, which means that all deposits are fully insured by Federal Depositors Insurance or collateralized under Chapter 280, Florida Statutes.

The District did not have investment activity in the current year.

Southern Hills Plantation III Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE C – RELATED PARTY TRANSACTIONS

All voting members of the board of supervisors are employed by the Developer or a related entity. The District received \$53,696 in contributions from the Developer for the year ended September 30, 2017. Additionally, the District has \$67,267 due from the developer.

The District has entered into an Inter-local Agreement which allocates costs between The District, Southern Hills Plantation I Community Development District and Southern Hills Plantation II Community Development District. The Southern Hills Plantation I pays certain common area expenses associated with the development and is reimbursed by the other Districts for their pro-rata share of these expenses. The amount owed to Southern Hills Plantation I Community Development District at September 30, 2017 was \$55,991.

NOTE D – 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 for which the government carries commercial insurance. The District has not filed any claims under this commercial coverage during the last three years.



Berger, Toombs, Elam,
Gaines & Frank

Certified Public Accountants PL

600 Citrus Avenue
Suite 200
Fort Pierce, Florida 34950

772/461-6120 // 461-1155
FAX: 772/468-9278

**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
Southern Hills Plantation III Community Development District
Hernando County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Southern Hills Plantation III Community Development District, as of and for the year ended September 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated April 27, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southern Hills Plantation III Community Development District's internal control over financial reporting 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 Southern Hills Plantation III Community Development District's internal control. Accordingly, we do not express an opinion on the effectiveness of Southern Hills Plantation III Community Development District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Fort Pierce / Stuart



Board of Supervisors
Southern Hills Plantation III Community Development District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southern Hills Plantation III Community Development 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.

*Berger Toombs Elam
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants
Fort Pierce, Florida

April 27, 2018



Berger, Toombs, Elam,
Gaines & Frank

Certified Public Accountants PL

600 Citrus Avenue
Suite 200
Fort Pierce, Florida 34950

772/461-6120 // 461-1155
FAX: 772/468-9278

MANAGEMENT LETTER

To the Board of Supervisors
Southern Hills Plantation III Community Development District
Hernando County, Florida

Report on the Financial Statements

We have audited the financial statements of the Southern Hills Plantation III Community Development District as of and for the year ended September 30, 2017, and have issued our report thereon dated April 27, 2018.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States; 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 Florida Auditor General.

Other Reports and Schedule

We have issued our 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* and our Independent Auditor's Report on an examination conducted in accordance with AICPA Professionals Standards, AT-C Section 315 regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in that report, which is dated April 27, 2018, 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 made to address findings and recommendations made in the preceding financial audit report. The following findings or recommendations were made in the preceding financial audit report.

2016-01

Finding: The District had a deficit fund balance in the General Fund at September 30, 2016, and September 30, 2017 and no available resources to cover the deficit.

Status: The deficit still exists at September 30, 2017.

Response: Management will encourage the primary developer to make more timely operating contributions which will resolve the deficit.



To the Board of Supervisors
Southern Hills Plantation III Community Development District

Financial Condition

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

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial conditions assessment procedures as of September 30, 2017 for the Southern Hills Plantation III Community Development District. It is management's responsibility to monitor the Southern Hills Plantation III Community Development District's financial condition; our financial condition assessment was based in part on the representations made by management and the review of the financial information provided by the 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.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the Southern Hills Plantation III Community Development District for the fiscal year ended September 30, 2017, filed with the Florida 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, 2017. In connection with our audit, we determined that these two reports were in agreement.

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 noted the following finding.



To the Board of Supervisors
Southern Hills Plantation III Community Development District

2017-01

Finding: The actual expenditures in the General Fund exceeded the budget which is a violation of Section 189.016, Florida Statutes.

Response: Management will review spending to ensure that expenditures do not exceed appropriations in the future.

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.

*Berger Toombs Elam
Gaines + Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

April 27, 2018



Berger, Toombs, Elam,
Gaines & Frank

Certified Public Accountants PL

600 Citrus Avenue
Suite 200
Fort Pierce, Florida 34950

772/461-6120 // 461-1155
FAX: 772/468-9278

**Independent Accountant's Report/Compliance
with Section 218.45 Florida Statutes**

To the Board of Supervisors
Southern Hills Plantation III Community Development District
Hernando County, Florida

We have examined Southern Hills Plantation III Community Development District's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2017. Management is responsible for Southern Hills Plantation III Community Development District's compliance with those requirements. Our responsibility is to express an opinion on Southern Hills Plantation III Community Development 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 Southern Hills Plantation III Community Development 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 Southern Hills Plantation III Community Development District's compliance with the specified requirements.

In our opinion, Southern Hills Plantation III Community Development District's complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2017.

*Berger Toombs Elam
Gaines & Frank*
Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

April 27, 2018

Fort Pierce / Stuart