

**Harbor Bay Community  
Development District**

**ANNUAL FINANCIAL REPORT**

**September 30, 2018**

**Harbor Bay Community Development District**

**ANNUAL FINANCIAL REPORT**

**Fiscal Year Ended September 30, 2018**

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## REPORT OF INDEPENDENT AUDITORS

To the Board of Supervisors  
Harbor Bay Community Development District  
Hillsborough County, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of Harbor Bay Community Development District (the "District") as of and for the year ended September 30, 2018, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Accounting Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Fort Pierce / Stuart

To the Board of Supervisors  
Harbor Bay Community Development District

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Harbor Bay Community Development District, as of September 30, 2018, 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**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated April 1, 2019 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 Harbor Bay Community Development District's internal control over financial reporting and compliance.



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

April 1, 2019

**Harbor Bay Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2018**

Management's discussion and analysis of Harbor Bay Community Development District's (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 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 and related program revenues are reported by major function, 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, physical environment, public safety, roads and streets, and interest on long-term debt.

*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.

**Harbor Bay Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2018**

**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.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as balances of expendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide reconciliations to facilitate this comparison between governmental funds and governmental activities.

*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, 2018.

- ◆ The District's total assets exceeded total liabilities by \$27,466,797 (net position). Net investment in capital assets for Governmental Activities was \$23,311,998. Unrestricted net position for Governmental Activities was \$1,409,662. Restricted net position for Governmental Activities was \$2,745,137.
- ◆ Governmental Activities revenues totaled \$7,687,931 while Governmental Activities expenses totaled \$6,956,472.

**Harbor Bay Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2018**

**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**

	<b>Governmental Activities</b>	
	<b>2018</b>	<b>2017</b>
Current assets	\$ 5,664,644	\$ 4,558,617
Restricted assets	2,385,806	2,349,112
Capital assets	31,872,961	32,919,553
Total Assets	39,923,411	39,827,282
Current liabilities	1,156,614	1,341,944
Non-current liabilities	11,300,000	11,750,000
Total Liabilities	12,456,614	13,091,944
Net Position - Net investment in capital assets	23,311,998	24,009,854
Net Position - Restricted	2,745,137	1,590,972
Net Position - Unrestricted	1,409,662	1,134,512
Total Net Position	\$ 27,466,797	\$ 26,735,338

The increase in current assets is primarily due to revenues in excess of expenditures at the fund level.

The decrease in capital assets is primarily the result of depreciation in excess of capital additions in the current year.

The decrease in non-current liabilities is primarily due to principal payments on long-term debt.

The increase in net position – restricted and the increase in net position – unrestricted is the result of current year activity.

**Harbor Bay Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2018**

**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**

	<b>Governmental Activities</b>	
	<b>2018</b>	<b>2017</b>
<u>Program Revenues</u>		
Charges for services	\$ 7,560,607	\$ 5,140,675
Operating grants and contributions	-	151,025
<u>General Revenues</u>		
Miscellaneous revenues	60,562	8,510
Investment earnings	66,762	29,825
Total Revenues	<u>7,687,931</u>	<u>5,330,035</u>
<u>Expenses</u>		
General government	475,492	658,911
Physical environment	2,923,110	2,945,909
Culture/recreation	2,397,620	2,171,518
Public safety	200,231	252,231
Transportation	144,289	150,564
Interest on long-term debt	815,730	844,351
Total Expenses	<u>6,956,472</u>	<u>7,023,484</u>
Change in Net Position	731,459	(1,693,449)
Net Position - Beginning of Year	<u>26,735,338</u>	<u>28,428,787</u>
Net Position - End of Year	<u>\$ 27,466,797</u>	<u>\$ 26,735,338</u>

The decrease in general government is primarily due to an decrease in legal services in the current year.

The increase in culture/recreation is related to seawall mitigation payments in the current year.



**Harbor Bay Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2018**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Capital Assets Activity**

The following schedule provides a summary of the District's capital assets activity as of September 30, 2018 and 2017.

<u>Description</u>	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Capital Assets, not being depreciated	\$ 8,109,991	\$ 6,979,009
Capital Assets, being depreciated	48,287,014	48,287,014
Accumulated depreciation	<u>(24,524,044)</u>	<u>(22,346,470)</u>
Total Capital Assets (Net)	<u>\$ 31,872,961</u>	<u>\$ 32,919,553</u>

During the year, the District added \$1,130,982 in capital assets not being depreciated and depreciation for governmental activities was \$2,177,574.

**General Fund Budgetary Highlights**

The budget exceeded governmental expenditures primarily due to less payroll related expenditures than were anticipated.

The September 30, 2018 budget was not amended.

**Debt Management**

Governmental Activities debt includes the following:

- ◆ In 2001, the District issued \$26,650,000 Series 2001A and 2001B Capital Improvement Revenue Bonds with a fixed interest rate of 7.00% and 6.35% respectively. These bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the property within the District. As of September 30, 2018, \$2,815,000 of Series 2001A and Series 2001B Bonds were still outstanding.
- ◆ In 2002, the District issued \$12,500,000 Series 2002 Capital Improvement Revenue Bonds with a fixed interest rate of 6.75%. These bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the property within the District. As of September 30, 2018, \$8,920,000 of Series 2002 Bonds were still outstanding.

**Harbor Bay Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2018**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Economic Factors and Next Year's Budget**

The District does not anticipate any economic factors to have a significant effect on the financial position or the results of operations in fiscal year 2019.

**Request for Information**

This financial report is designed to provide a general overview of the 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 Harbor Bay Community Development District, 12750 Citrus Park Lane, Ste 115, Tampa, FL 33625.

**Harbor Bay Community Development District**  
**STATEMENT OF NET POSITION**  
**September 30, 2018**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets	
Cash and equivalents	\$ 5,229,609
Accounts receivable	800
Assessments receivable	278,654
Inventory	4,713
Prepaid expenses	95,236
Deposits	55,632
Total Current Assets	5,664,644
Non-current Assets	
Restricted assets	
Cash and investments	2,385,806
Capital assets:	
Assets not being depreciated	
Land and improvements	191,880
Construction in progress	7,918,111
Assets being depreciated	
Buildings and improvements	8,083,080
Infrastructure	39,980,997
Equipment	222,937
Less: accumulated depreciation	(24,524,044)
Total Non-current Assets	34,258,767
Total Assets	39,923,411
 <b>LIABILITIES</b>	
Current Liabilities	
Accounts payable and accrued expenses	378,538
Retainage payable	1,000
Unearned revenues	9,097
Accrued interest payable	332,979
Bonds payable, current portion	435,000
Total Current Liabilities	1,156,614
Non-current Liabilities	
Bonds payable	11,300,000
Total Noncurrent Liabilities	11,300,000
Total Liabilities	12,456,614
 <b>NET POSITION</b>	
Net investment in capital assets	23,311,998
Restricted for debt service	812,292
Restricted for capital projects	1,932,845
Unrestricted	1,409,662
Total Net Position	\$ 27,466,797

*See accompanying notes to financial statements.*

**Harbor Bay Community Development District**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2018**

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Governmental Activities
Governmental Activities			
General government	\$ (475,492)	\$ 757,892	\$ 282,400
Physical environment	(2,923,110)	1,825,364	(1,097,746)
Culture/recreation	(2,397,620)	3,363,420	965,800
Public safety	(200,231)	319,150	118,919
Transportation	(144,289)	32,262	(112,027)
Interest on long-term debt	(815,730)	1,262,519	446,789
Total Governmental Activities	\$ (6,956,472)	\$ 7,560,607	604,135
	General Revenues		
	Investment earnings		66,762
	Other revenues		60,562
	Total General Revenues		127,324
	Change in Net Position		731,459
	Net Position - Beginning of Year		26,735,338
	Net Position - End of Year		\$ 27,466,797

See accompanying notes to financial statements.

**Harbor Bay Community Development District  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2018**

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,118,821	\$ 200,792	\$ -	\$ 1,909,996	\$ 5,229,609
Accounts receivable	800	-	-	-	800
Assessments receivable	-	-	-	278,654	278,654
Due from other funds	36,799	-	-	-	36,799
Inventory	4,713	-	-	-	4,713
Prepaid expenses	95,236	-	-	-	95,236
Deposits	55,632	-	-	-	55,632
Restricted assets					
Investments, at fair value	-	-	2,383,321	2,485	2,385,806
Total Assets	<u>\$ 3,312,001</u>	<u>\$ 200,792</u>	<u>\$ 2,383,321</u>	<u>\$ 2,191,135</u>	<u>\$ 8,087,249</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued expenses	\$ 157,173	\$ 720	\$ -	\$ 220,645	\$ 378,538
Retainage payable	-	-	-	1,000	1,000
Due to other funds	-	154	-	36,645	36,799
Unearned revenues	9,097	-	-	-	9,097
Total Liabilities	<u>166,270</u>	<u>874</u>	<u>-</u>	<u>258,290</u>	<u>425,434</u>
Deferred Inflows of Resources					
Deferred revenues	-	-	-	278,654	278,654
Fund Balances:					
Nonspendable:					
Inventory	4,713	-	-	-	4,713
Prepaid expenses	95,236	-	-	-	95,236
Deposits	55,632	-	-	-	55,632
Restricted:					
Debt service	-	-	2,383,321	-	2,383,321
Capital projects	-	-	-	1,654,191	1,654,191
Committed-Special revenue	-	199,918	-	-	199,918
Unassigned	2,990,150	-	-	-	2,990,150
Total Fund Balances	<u>3,145,731</u>	<u>199,918</u>	<u>2,383,321</u>	<u>1,654,191</u>	<u>7,383,161</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,312,001</u>	<u>\$ 200,792</u>	<u>\$ 2,383,321</u>	<u>\$ 2,191,135</u>	<u>\$ 8,087,249</u>

See accompanying notes to financial statements.

**Harbor Bay Community Development District**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**September 30, 2018**

Total Governmental Fund Balances	\$ 7,383,161
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets not being depreciated, land and improvements, \$191,880 and construction in progress, \$7,918,111 used in governmental activities are not current financial resources, and, therefore, are not reported at the fund level.	8,109,991
Capital assets being depreciated, infrastructure, \$39,980,997; buildings and improvements, \$8,083,080, and equipment, \$222,937; net of accumulated depreciation, \$(24,524,044) used in governmental activities are not current financial resources; and therefore are not reported at the fund level.	23,762,970
Deferred revenue is recognized as a deferred inflow of resources at the fund level, however it is recognized when earned at the government-wide level.	278,654
Long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported at the fund level.	(11,735,000)
Accrued interest expense for long-term debt is not a current financial use and therefore, is not reported at the fund level.	<u>(332,979)</u>
Net Position of Governmental Activities	<u><u>\$ 27,466,797</u></u>

*See accompanying notes to financial statements.*

**Harbor Bay Community Development District**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2018**

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
<b>Revenues</b>					
Special assessments	\$ 3,848,060	\$ -	\$ 1,262,519	\$ 1,716,957	\$ 6,827,536
Charges for services	454,417	-	-	-	454,417
Investment earnings	28,871	-	32,082	5,809	66,762
Other revenues	5,236	55,320	-	6	60,562
Total Revenues	<u>4,336,584</u>	<u>55,320</u>	<u>1,294,601</u>	<u>1,722,772</u>	<u>7,409,277</u>
<b>Expenditures</b>					
<b>Current</b>					
General government	475,492	-	-	-	475,492
Physical environment	1,145,211	-	-	-	1,145,211
Culture/recreation	2,110,168	11,825	-	-	2,121,993
Public safety	200,231	-	-	-	200,231
Transportation	20,241	-	-	-	20,241
Capital outlay	-	-	-	1,130,982	1,130,982
<b>Debt service</b>					
Principal	-	-	430,000	-	430,000
Interest	-	-	827,944	-	827,944
Total Expenditures	<u>3,951,343</u>	<u>11,825</u>	<u>1,257,944</u>	<u>1,130,982</u>	<u>6,352,094</u>
Excess/deficiency of revenues over/(under) expenditures	<u>385,241</u>	<u>43,495</u>	<u>36,657</u>	<u>591,790</u>	<u>1,057,183</u>
<b>Other Financing Sources/(Uses)</b>					
Transfers in	-	-	-	232,450	232,450
Transfers out	(232,450)	-	-	-	(232,450)
Total Other Financing Sources/(Uses)	<u>(232,450)</u>	<u>-</u>	<u>-</u>	<u>232,450</u>	<u>-</u>
Net change in fund balances	<u>152,791</u>	<u>43,495</u>	<u>36,657</u>	<u>824,240</u>	<u>1,057,183</u>
Fund Balances - Beginning of Year	<u>2,992,940</u>	<u>156,423</u>	<u>2,346,664</u>	<u>829,951</u>	<u>6,325,978</u>
Fund Balances - End of Year	<u>\$ 3,145,731</u>	<u>\$ 199,918</u>	<u>\$ 2,383,321</u>	<u>\$ 1,654,191</u>	<u>\$ 7,383,161</u>

See accompanying notes to financial statements.

**Harbor Bay 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, 2018**

Net Change in Fund Balances - Total Governmental Funds	\$ 1,057,183
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount depreciation \$(2,177,574) exceeded capital outlay (\$1,130,982) in the current period.	(1,046,592)
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Repayment of long-term liabilities are reported as expenditures in the governmental fund statements but such repayments reduce liabilities in the Statement of Net Position and are eliminated in the Statement of Activities.	430,000
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Revenues that are not available at year end are reflected as a deferred inflow of resources, deferred revenue at the fund level, however, revenues are recognized when earned at the government-wide level.	278,654
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Accrued interest expense is reported in the Statement of Activities but in governmental funds interest expenditures are reported when due. This is the net amount between current year and prior year accruals.	<u>12,214</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 731,459</u></u>
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*See accompanying notes to financial statements.*



**Harbor Bay Community Development District**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended September 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Special assessments	\$ 3,808,026	\$ 3,808,026	\$ 3,848,060	\$ 40,034
Charges for services	408,893	408,893	454,417	45,524
Investment earnings	-	-	28,871	28,871
Other revenues	-	-	5,236	5,236
Total Revenues	<u>4,216,919</u>	<u>4,216,919</u>	<u>4,336,584</u>	<u>119,665</u>
Expenditures				
Current				
General government	414,880	414,880	475,492	(60,612)
Physical environment	1,116,723	1,116,723	1,145,211	(28,488)
Culture/recreation	2,153,116	2,153,116	2,110,168	42,948
Public safety	275,000	275,000	200,231	74,769
Transportation	24,750	24,750	20,241	4,509
Total Expenditures	<u>3,984,469</u>	<u>3,984,469</u>	<u>3,951,343</u>	<u>33,126</u>
Excess/deficiency of revenues over/(under) expenditures	232,450	232,450	385,241	152,791
Other Financing Sources/(Uses)				
Transfers out	<u>(232,450)</u>	<u>(232,450)</u>	<u>(232,450)</u>	<u>-</u>
Net change in fund balances	-	-	152,791	152,791
Fund Balances - Beginning of Year	<u>-</u>	<u>-</u>	<u>2,992,940</u>	<u>2,992,940</u>
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,145,731</u>	<u>\$ 3,145,731</u>

See accompanying notes to financial statements.

**Harbor Bay Community Development District**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUND**  
**For the Year Ended September 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Homeowner's contributions	\$ 3,000	\$ 3,000	\$ -	\$ (3,000)
Investment income	300	300	-	(300)
Other revenues	19,950	19,950	55,320	35,370
Total Revenues	<u>23,250</u>	<u>23,250</u>	<u>55,320</u>	<u>32,070</u>
Expenditures				
Current				
General government	3,500	3,500	-	3,500
Culture/recreation	19,750	19,750	11,825	7,925
Total Expenditures	<u>23,250</u>	<u>23,250</u>	<u>11,825</u>	<u>11,425</u>
Net change in fund balances	-	-	43,495	43,495
Fund Balances - Beginning of Year	<u>-</u>	<u>-</u>	<u>156,423</u>	<u>156,423</u>
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 199,918</u>	<u>\$ 199,918</u>

See accompanying notes to financial statements.

**Harbor Bay Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2018**

**NOTE A – SUMMARY OF ACCOUNTING POLICIES**

The financial statements of Harbor Bay Community Development District (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 5, 1999, by the Board of County Commissioners of Hillsborough County by Ordinance 99-11, pursuant to the provisions of Chapter 190, Florida Statutes, for the purpose of planning, financing, constructing, operating, and maintaining certain community-wide infrastructure. The District is governed by a five-member Board of Supervisors, who are elected by qualified electors residing within the District.

As required by GAAP, these financial statements present the Harbor Bay 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 includes, but is 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 by the Governmental Accounting Standards Board, 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

**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.

**Harbor Bay Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2018**

**NOTE A – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

**2. Measurement Focus and Basis of Accounting (Continued)**

**a. Government-wide Financial Statements (Continued)**

Governmental activities are normally supported by special assessments. Program revenues include charges for services and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. 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.

**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.

**Harbor Bay Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2018**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2. Measurement Focus and Basis of Accounting (Continued)**

**b. Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

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.

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 financial 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.

**Harbor Bay Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2018**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2. Measurement Focus and Basis of Accounting (Continued)**

**b. Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

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 were 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, as well as expenditures related to compensated absences, 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.

Special Revenue Fund

The special revenue fund is used to account for vessel registration maintained by the District.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for the annual payment of principal and interest on long-term general obligation debt.

Capital Projects Fund

The capital projects fund is used to account for financial resources to be used in the acquisition and construction of infrastructure improvements within the boundaries of the District.

**b. Non-current Governmental Assets/Liabilities**

GASB Statement 34 requires that non-current governmental assets, such as land and buildings, and non-current governmental liabilities, such as general obligation bonds be reported in the governmental activities column in the government-wide statement of net position.

**Harbor Bay Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2018**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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;
4. Securities and Exchange Commission, registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

Cash equivalents include time deposits and certificates of deposit with original maturities of three months or less and held in a qualified public depository as defined by Florida Statute 280.02.

**b. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

**c. Restricted Net Position**

Certain net position of the District are classified as restricted on the Statement of Net Position because their use is limited either by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors. In a fund with both restricted and unrestricted net position, qualified expenses are considered to be paid first from restricted net position and then from unrestricted net position.

**Harbor Bay Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2018**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**d. Capital Assets**

Capital assets, which include land, buildings, infrastructure and equipment, are reported in the applicable governmental activities column.

The District defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. The valuation basis for all assets is historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation of capital assets is computed and recorded by utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings and improvements	5-30 years
Infrastructure	15-30 years
Equipment	5 years

**e. 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. A budget was not prepared for the Special Revenue Fund this fiscal year. A budget was prepared for this fund for the year ended September 30, 2018.

The legal level of budgetary control is at the fund level. All budgeted appropriations lapse at year end. Formal budgets are adopted for the general and debt service funds. As a result, deficits in the budget columns of the accompanying financial statements may occur.

**f. Deferred Inflows of Resources**

Deferred inflows of resources represent an acquisition of net position that applies to a future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until then. The District only has one item that qualifies for reporting in this category. Deferred revenues are reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that amounts become available.



**Harbor Bay Community Development District  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2018**

**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. The District does, however, follow the provisions of Chapter 280, Florida Statutes regarding deposits and investments. As of September 30, 2018, the District's bank balance was \$5,461,610 and the carrying value was \$5,229,609. 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.

As of September 30, 2018, the District had the following investments and maturities:

Investment	Maturities	Fair Value
First American Treasury Obligation Fd Cl Z	18 days*	\$ 2,385,806

\*Maturity is a weighed average maturity.

The District categorizes its fair value measurements within the fair value hierarchy recently established by generally accepted accounting principles. The fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The District uses a market approach in measuring fair value that uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities, or groups of assets and liabilities.

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

Based on the criteria in the preceding paragraph, the investment listed above is a Level 1 asset.

Investments

The District's investment policy allows management to invest funds in investments permitted under Section 218.415, Florida Statutes.

**Harbor Bay Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2018**

**NOTE B – CASH AND INVESTMENTS (CONTINUED)**

Interest Rate Risk

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

Credit Risk

The District's investments are limited by state statutory requirements and bond compliance. The District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one fund. The investments in First American Treasury Obligation Fd Cl Z represent 100% of the District's investments.

The types of deposits and investments and their level of risk exposure as of September 30, 2018 were typical. The First American Treasury Obligations Fd Cl Z investment was rated AAAM by Standard & Poor's.

**NOTE C – SPECIAL ASSESSMENT REVENUES**

Assessment revenues for operations and maintenance, debt service and a capital reserve recognized for the 2017-2018 fiscal year were levied in October 2017. All taxes are due and payable on November 1 or as soon as the assessment roll is certified and delivered to the Tax Collector. Per Section 197.162, Florida Statutes, discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. Taxes paid in March are without discount.

All unpaid taxes become delinquent as of April 1. Virtually all unpaid taxes are collected via the sale of tax certificates on or prior to June 1; therefore, there were no material taxes receivable at fiscal year end.

Assessments are collected directly by the District on certain unplatted and undeveloped lands. Assessments directly collected by the District are due December 1, provided, however, that, to the extent permitted by law, the assessments due may be paid in several partial payments. For debt service assessments 65% is due no later than March 15 and 35% is due no later than September 15. For operating and maintenance assessments 50% is due no later than December 1, 25% is due no later than February 1 and 25% is due no later than May 1. If assessment payments are not made in accordance with the schedule referred to above, the whole assessment shall immediately become due and payable along with any future debt service installments and will be subject to certain additional costs and penalties as outlined in the resolution.

**Harbor Bay Community Development District  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2018**

**NOTE D – INTERFUND BALANCES**

Interfund balances at September 30, 2018, consisted of the following:

	<b>Payable Fund</b>		
<b>Receivable Fund</b>	Special Revenue Fund	Capital Projects Fund	Total
General Fund	\$ 154	\$ 36,645	\$ 36,799

Interfund balances are due to expenditures that are paid by one fund on behalf of another fund or are allocated to multiple funds.

	<b>Transfer Out</b>
<b>Transfer In</b>	General Fund
Capital Projects Fund	\$ 232,450

Transfer from the General Fund to the Capital Projects Fund was made to fund repairs made to the seawall.

**Harbor Bay Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2018**

**NOTE E – CAPITAL ASSETS**

Capital Asset activity for the year ended September 30, 2018 was as follows:

	October 1, 2017	Additions	Deletions	September 30, 2018
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land and land improvements	\$ 191,880	\$ -	\$ -	\$ 191,880
Construction in progress	6,787,129	1,130,982	-	7,918,111
<b>Total Capital Assets, Not Depreciated</b>	<u>6,979,009</u>	<u>1,130,982</u>	<u>-</u>	<u>8,109,991</u>
Capital assets, being depreciated:				
Buildings	8,083,080	-	-	8,083,080
Equipment	222,937	-	-	222,937
Infrastructure	36,259,552	-	-	36,259,552
Infrastructure - roadways and other improvements	3,721,445	-	-	3,721,445
<b>Total Capital Assets, Being Depreciated</b>	<u>48,287,014</u>	<u>-</u>	<u>-</u>	<u>48,287,014</u>
Less accumulated depreciation for:				
Buildings	(3,162,975)	(275,627)	-	(3,438,602)
Equipment	(132,447)	(44,587)	-	(177,034)
Infrastructure	(17,934,616)	(1,733,312)	-	(19,667,928)
Infrastructure - roadways and other improvements	(1,116,432)	(124,048)	-	(1,240,480)
<b>Total Accumulated Depreciation</b>	<u>(22,346,470)</u>	<u>(2,177,574)</u>	<u>-</u>	<u>(24,524,044)</u>
<b>Total Capital Assets Depreciated, Net</b>	<u>25,940,544</u>	<u>(2,177,574)</u>	<u>-</u>	<u>23,762,970</u>
<b>Governmental Activities Capital Assets</b>	<u>\$ 32,919,553</u>	<u>\$ (1,046,592)</u>	<u>\$ -</u>	<u>\$ 31,872,961</u>

Depreciation of \$2,177,574 was charged to culture/recreation (\$275,627), physical environment (\$1,777,899) and transportation (\$124,048).

**Harbor Bay Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2018**

**NOTE F – LONG-TERM DEBT**

The following is a summary of activity in the long-term debt of the District for the year ended September 30, 2018:

**Governmental Activities**

Long-term debt at October 1, 2017	\$ 12,165,000
Principal payments	<u>(430,000)</u>
Long-term debt at September 30, 2018	<u>\$ 11,735,000</u>

Long-term debt is comprised of the following:

**Capital Improvement Revenue Bonds**

\$3,870,000 Series 2001A Term Bonds, interest at 7.00%, maturing through May 1, 2033, payable serially commencing May 1, 2004; collateralized by the pledged revenues of special assessments levied against the benefited property owners. \$ 2,815,000

\$12,500,000 Series 2002 Term Bonds, interest at 6.75%, maturing through May 1, 2034, payable serially commencing May 1, 2005; collateralized by the pledged revenues of special assessments levied against the benefited property owners. 8,920,000

Bonds payable \$ 11,735,000

The annual requirements to amortize the principal and interest of bonded debt outstanding as of September 30, 2018 are as follows:

Year Ending September 30,	Principal	Interest	Total
2019	\$ 435,000	\$ 799,150	\$ 1,234,150
2020	470,000	769,513	1,239,513
2021	500,000	737,488	1,237,488
2022	535,000	703,425	1,238,425
2023	575,000	666,975	1,241,975
2024-2028	3,510,000	2,693,375	6,203,375
2029-2033	4,895,000	1,321,263	6,216,263
2034	<u>815,000</u>	<u>55,013</u>	<u>870,013</u>
Totals	<u>\$ 11,735,000</u>	<u>\$ 7,746,202</u>	<u>\$ 19,481,202</u>

**Harbor Bay Community Development District  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2018**

**NOTE F – LONG-TERM DEBT (CONTINUED)**

Significant Bond Provisions

The Series 2001A and Series 2002 Bonds may, at the option of the District, be called for redemption as a whole at any time or in part on any interest payment date on or after May 1, 2011 and May 1, 2013, respectively, at a redemption price set in the Bond Indenture.

The Bonds are subject to mandatory redemption prior to maturity in the manner determined by the trustee and the District Manager if certain events occurred as outlined in the Bond Indenture.

The Bond Indenture established certain amounts be maintained in a reserve account. In addition, the Bond Indenture has certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements.

Depository Funds

The bond resolution establishes certain funds and determines the order in which revenues are to be deposited into these funds. A description of the significant funds, including their purposes, is as follows:

1. Reserve Fund – The 2001A and 2002 Reserve Accounts are funded from the proceeds of the respective Bonds in amounts equal to the maximum annual debt service, as of the time of any such calculation. Monies held in the reserve accounts will be used only for the purposes established in the Trust Indenture.

	<u>Reserve Balance</u>	<u>Reserve Requirement</u>
Series 2001A	\$ 306,500	\$ 305,775
Series 2002	\$ 931,550	\$ 919,713

**NOTE G – RISK MANAGEMENT**

The government 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. These risks are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for each of the past three fiscal years.

**Harbor Bay Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2018**

**NOTE H – LITIGATION**

Seawall:

In a prior fiscal year, and pursuant to the settlement agreements reached during the litigation involving the community seawall, the District received \$8,325,000 in settlement funds. The District is in the process of designing a master stormwater and seawall stabilization project in order to stabilize the community seawall. More recently, the District's project engineer prepared such a project plan and estimated the cost of the project to be an additional \$18.4 million above and beyond the settlement amount ("Master Project"). Based on that estimate, and in April 2016, the District's Board of Supervisors levied and imposed a special assessment in the amount of \$19.8 million for the purpose of rehabilitating the community seawall and in anticipation of issuing future capital improvement revenue bonds in order to install the Master Project. On May 11, 2017, the Circuit Court issued a final judgment in the case, validating the District's levy of the special assessments and the authority to issue the proposed bonds in an amount not-to-exceed \$19,800,000. Subsequent to year end, the Board agreed to certify for collection a total of \$2,000,000 in special assessments for the purpose of rehabilitating designated emergency areas and assist in funding litigation costs. That said, the Board has not yet directed the issuance of the proposed bonds associated with the Master Project, and is instead reviewing further repair options for the community seawall.

Certain property owners within the District have sued the District for declaratory judgment and injunctive relief challenging the Board's decisions regarding the preferred solution for repairing the District's seawall. The Plaintiffs have also brought a third claim for inverse condemnation in the alternative to their first two counts. It is premature to ascertain the likelihood of success on the merits, as the case is in its early stages. With that said, the District believes that it has a meritorious defense and intends to vigorously defend the case. Subsequent to year end, the case was voluntarily dismissed without prejudice.

The District has received requests, and anticipates receiving future requests, from residents and landowners to address damage to privately owned property and improvements resulting from the seawall. In response, the District has funded certain minor repair activities in limited circumstances and has established a protocol for addressing new requests. It is unknown whether any requests will result in formal claims against the District, and the District is unable to estimate the monetary amount of any such current or future claims.

During the year, the District paid \$246,782 for landowner's upland retaining wall claims.



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## **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  
Harbor Bay Community Development District  
Hillsborough 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 Harbor Bay Community Development District, as of and for the year ended September 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated April 1, 2019.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Harbor Bay 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 Harbor Bay Community Development District's internal control. Accordingly, we do not express an opinion on the effectiveness of Harbor Bay 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.



To the Board of Supervisors  
Harbor Bay Community Development District

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Harbor Bay 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  
Certified Public Accountants  
Fort Pierce, Florida

April 1, 2019



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## **MANAGEMENT LETTER**

To the Board of Supervisors  
Harbor Bay Community Development District  
Hillsborough County, Florida

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

We have audited the financial statements of the Harbor Bay Community Development District as of and for the year ended September 30, 2018, and have issued our report thereon dated April 1, 2019.

### **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 Reporting Requirements**

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 those reports, which are dated April 1, 2019, 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 financial audit report. There were no findings or recommendations in the preceding audit.

### **Financial Condition and Management**

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not Harbor Bay 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 Harbor Bay Community Development District did not meet any of the conditions described in Section 218.503(1) Florida Statutes.

Fort Pierce / Stuart

To the Board of Supervisors  
Harbor Bay Community Development District

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for Harbor Bay Community Development District. It is management's responsibility to monitor the Harbor Bay 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 as of September 30, 2018.

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

#### **Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

#### **Purpose of this Letter**

Our Management Letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Supervisors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Berger Toombs Elam  
(Gaines) + Frank*

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

April 1, 2019



Berger, Toombs, Elam,  
Gaines & Frank

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**INDEPENDENT ACCOUNTANT'S REPORT/COMPLIANCE  
WITH SECTION 218.415, FLORIDA STATUTES**

To the Board of Supervisors  
Harbor Bay Community Development District  
Hillsborough County, Florida

We have examined Harbor Bay Community Development District's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2018. Management is responsible for Harbor Bay Community Development District's compliance with those requirements. Our responsibility is to express an opinion on Harbor Bay 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 Harbor Bay 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 Harbor Bay Community Development District's compliance with the specified requirements.

In our opinion, Harbor Bay Community Development District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2018.

*Berger Toombs Elam  
Gaines + Frank*

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

April 1, 2019