

**Candler Hills East Community
Development District**

ANNUAL FINANCIAL REPORT

September 30, 2019

Candler Hills East Community Development District

ANNUAL FINANCIAL REPORT

September 30, 2019

TABLE OF CONTENTS

	<u>Page Number</u>
REPORT OF INDEPENDENT AUDITORS	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-8
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	12
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	15
Notes to Financial Statements	16-30
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>	31-32
MANAGEMENT LETTER	33-34
INDEPENDENT ACCOUNTANT'S REPORT/COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES	35



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 AUDITORS

To the Board of Supervisors
Candler Hills East Community Development District
Marion County, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of Candler Hills East Community Development District as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government 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
Candler Hills East 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 each major fund of Candler Hills East Community Development District as of September 30, 2019, 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's 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, economical 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 November 20, 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 Candler Hills East Community Development District's internal control over financial reporting and compliance.



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

November 20, 2019

**Candler Hills East Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2019**

Management's discussion and analysis of Candler Hills East 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, physical environment and debt service.

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.

**Candler Hills East Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2019**

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 land, 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*, a reconciliation is 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, 2019.

- ◆ The District's total assets and deferred outflows of resources exceeded total liabilities by \$1,374,074 (net position). Unrestricted net position for Governmental Activities was \$40,316. Net Investment in Capital Assets was \$986,194. Restricted net position was \$347,564.
- ◆ Governmental activities revenues totaled \$324,318 while governmental activities expenses totaled \$347,188.

**Candler Hills East Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2019**

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	
	2019	2018
Current assets	\$ 40,442	\$ 47,874
Restricted assets	508,989	491,608
Capital assets	<u>3,779,566</u>	<u>3,957,537</u>
Total Assets	<u>4,328,997</u>	<u>4,497,019</u>
Deferred Outflows of Resources	<u>23,067</u>	<u>24,379</u>
Current liabilities	193,251	149,730
Non-current liabilities	<u>2,784,739</u>	<u>2,974,724</u>
Total Liabilities	<u>2,977,990</u>	<u>3,124,454</u>
Net investment in capital assets	986,194	1,020,298
Restricted debt service	179,853	165,362
Restricted capital projects	167,711	163,536
Net position - unrestricted	40,316	47,748
Total Net Position	<u><u>\$ 1,374,074</u></u>	<u><u>\$ 1,396,944</u></u>

The decrease in capital assets and net investment in capital assets is primarily related to current year depreciation.

The decrease in total liabilities is primarily related to principal payments made during the current year.

**Candler Hills East Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2019**

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	
	2019	2018
Program Revenues		
Charges for services	\$ 319,071	\$ 373,051
General Revenues		
Investment earnings	5,247	3,927
Total Revenues	324,318	376,978
Expenses		
General government	44,871	41,665
Physical environment	195,857	235,583
Interest on long-term debt	106,460	111,507
Total Expenses	347,188	388,755
Change in Net Position	(22,870)	(11,777)
Net Position - Beginning of Year	1,396,944	1,408,721
Net Position - End of Year	\$ 1,374,074	\$ 1,396,944

The decrease in charges for services is related to reduced debt service requirements.

The reduction in physical environment is related to the decrease in pond maintenance costs in the current year.

**Candler Hills East Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2019**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Capital Assets Activity

The following schedule provides a summary of the District's capital assets as of September 30, 2019 and 2018.

<u>Description</u>	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Land	\$ 1,373,401	\$ 1,373,401
Improvements	3,986,633	3,986,633
Infrastructure	555,184	555,184
Accumulated depreciation	<u>(2,135,652)</u>	<u>(1,957,681)</u>
Total Capital Assets (Net)	<u>\$ 3,779,566</u>	<u>\$ 3,957,537</u>

The activity for the year consisted of \$177,971 in depreciation.

General Fund Budgetary Highlights

Actual governmental expenditures were less than final budgeted amounts primarily due to lower engineering fees and contingency expenditures than were anticipated in the approved budget.

There were no amendments to the 2019 budget.

Debt Management

Governmental Activities debt includes the following:

- ◆ In November 2016, Bay Laurel Community Development District issued conduit debt of \$3,380,000 Series 2016 Special Assessment Revenue Refunding Bonds for Candler Hills East Community Development District. These bonds were issued to refund the Series 2006 Special Assessment Bonds. The Bonds are special limited obligations of Bay Laurel, payable solely from and secured by pledge revenues to be collected by Candler Hills East Community Development District. The balance outstanding at September 30, 2019 was \$2,935,000.

**Candler Hills East Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2019**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Economic Factors and Next Year's Budget

The District is not aware of any circumstances that would have a significant effect on the financial position or results of operations of the District in fiscal year 2020.

Request for Information

The financial report is designed to provide a general overview of Candler Hills East Community Development District 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 Candler Hills East Community Development District, Governmental Management Services, 1408 Hamlin Avenue, Unit E, St. Cloud, Florida 34771.

Candler Hills East Community Development District
STATEMENT OF NET POSITION
September 30, 2019

	Governmental Activities
ASSETS	
Current Assets	
Cash	\$ 29,249
Prepaid items	11,193
Total Current Assets	40,442
Non-current Assets	
Restricted assets	
Investments	508,989
Capital assets, not being depreciated	
Land	1,373,401
Capital assets, being depreciated	
Infrastructure	555,184
Improvements	3,986,633
Less: accumulated depreciation	(2,135,652)
Total Non-current Assets	4,288,555
Total Assets	4,328,997
Deferred Outflows of Resources	
Deferred amount on refunding, net	23,067
Total Assets and Deferred Outflows of Resources	4,352,064
LIABILITIES	
Current Liabilities	
Accounts payable and accrued expenses	126
Accrued interest	43,125
Bonds payable - current portion	150,000
Total Current Liabilities	193,251
Non-current Liabilities	
Bonds payable	2,784,739
Total Liabilities	2,977,990
NET POSITION	
Net investment in capital assets	986,194
Restricted debt service	179,853
Restricted capital projects	167,711
Unrestricted	40,316
Total Net Position	\$ 1,374,074

See accompanying notes.

Candler Hills East Community Development District
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expense) Revenues and Changes in Net Position Governmental Activities</u>
Governmental Activities			
General government	\$ (44,871)	\$ 8,295	\$ (36,576)
Physical environment	(195,857)	47,003	(148,854)
Interest on long-term debt	(106,460)	263,773	157,313
Total Governmental Activities	<u>\$ (347,188)</u>	<u>\$ 319,071</u>	<u>(28,117)</u>
 General revenues:			
Investment earnings			<u>5,247</u>
			(22,870)
Net Position - October 1, 2018			1,396,944
Net Position - September 30, 2019			<u>\$ 1,374,074</u>

See accompanying notes.

Candler Hills East Community Development District
BALANCE SHEET –
GOVERNMENTAL FUNDS
September 30, 2019

ASSETS	General	Debt Service	Capital Projects	Total Governmental Funds
Cash	\$ 29,249	\$ -	\$ -	\$ 29,249
Prepaid items	11,193	-	-	11,193
Restricted assets				
Investments, at fair value	-	341,278	167,711	508,989
Total Assets	\$ 40,442	\$ 341,278	\$ 167,711	\$ 549,431
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued expenses	\$ 126	\$ -	\$ -	\$ 126
FUND BALANCES				
Nonspendable				
Prepaid items	11,193	-	-	11,193
Restricted				
Debt service	-	341,278	-	341,278
Capital projects	-	-	167,711	167,711
Unassigned	29,123	-	-	29,123
Total Fund Balances	40,316	341,278	167,711	549,305
Total Liabilities and Fund Balances	\$ 40,442	\$ 341,278	\$ 167,711	\$ 549,431

See accompanying notes.

**Candler Hills East Community Development District
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
September 30, 2019**

Total Governmental Fund Balances	\$	549,305
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets consisting of land, \$1,373,401, improvements, \$3,986,633, and infrastructure, \$555,184, net of accumulated depreciation, \$(2,135,652), used in governmental activities are not current financial resources and, therefore, are not reported at the fund level.		3,779,566
Long-term liabilities, \$(2,935,000) net of bond discount, net, \$261, are not due and payable in the current period and, therefore, are not reported at the fund level.		(2,934,739)
Deferred amounts on refunding are recognized as other debt service costs in the funds, however, at the government-wide level these costs are amortized over the life of the loan. This is the net deferred amount on refunding.		23,067
Accrued interest expense for long-term debt is not a current financial use and, therefore, is not reported at the fund level.		<u>(43,125)</u>
Net Position of Governmental Activities	\$	<u><u>1,374,074</u></u>

See accompanying notes.

Candler Hills East Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2019

	General	Debt Service	Capital Projects	Total Governmental Funds
Revenues				
Special assessments	\$ 55,298	\$ 263,773	\$ -	\$ 319,071
Investment earnings	27	1,045	4,175	5,247
Total Revenues	<u>55,325</u>	<u>264,818</u>	<u>4,175</u>	<u>324,318</u>
Expenditures				
Current				
General government	44,871	-	-	44,871
Physical environment	17,886	-	-	17,886
Debt service				
Principal	-	145,000	-	145,000
Interest	-	106,612	-	106,612
Total Expenditures	<u>62,757</u>	<u>251,612</u>	<u>-</u>	<u>314,369</u>
Net change in fund balances	(7,432)	13,206	4,175	9,949
Fund Balances - October 1, 2018	<u>47,748</u>	<u>328,072</u>	<u>163,536</u>	<u>539,356</u>
Fund Balances - September 30, 2019	<u>\$ 40,316</u>	<u>\$ 341,278</u>	<u>\$ 167,711</u>	<u>\$ 549,305</u>

See accompanying notes.

Candler Hills East 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, 2019

Net Change in Fund Balances - Total Governmental Funds	\$	9,949
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. This is the amount of depreciation in the current period.		(177,971)
Bond discount and the deferred amount on refunding are amortized over the life of the loan at the government-wide level. This is the amount of current-year amortization.		(1,327)
In the Statement of Activities, interest is accrued on outstanding bonds; whereas in governmental funds, interest expenditures are reported when due. This is the net amount between the prior year and the current year accruals.		1,479
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		<u>145,000</u>
Change in Net Position of Governmental Activities	\$	<u><u>(22,870)</u></u>

Candler Hills East Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL FUND

For the Year Ended September 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
Special assessments	\$ 55,051	\$ 55,051	\$ 55,298	\$ 247
Investment earnings	35	35	27	(8)
Total Revenues	<u>55,086</u>	<u>55,086</u>	<u>55,325</u>	<u>239</u>
Expenditures				
Current				
General government	45,413	45,413	44,871	542
Physical environment	<u>22,172</u>	<u>22,172</u>	<u>17,886</u>	<u>4,286</u>
Total Expenditures	<u>67,585</u>	<u>67,585</u>	<u>62,757</u>	<u>4,828</u>
Net change in fund balances	<u>(12,499)</u>	<u>(12,499)</u>	<u>(7,432)</u>	<u>5,067</u>
Fund Balances - October 1, 2018	<u>12,499</u>	<u>12,499</u>	<u>47,748</u>	<u>35,249</u>
Fund Balances - September 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,316</u>	<u>\$ 40,316</u>

See accompanying notes.

Candler Hills East Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Candler Hills East 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 November 19, 2002 by an ordinance of Marion County, Florida, under the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes, as amended (the "Act"), 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 governed by a five-member Board of Supervisors, who are elected for terms of four years. The District operates within the criteria established by Chapter 190. The Board has the responsibility for assessing and levying assessments, approving budgets, exercising control over facilities and properties, controlling the use of funds generated by the District, approving the hiring and firing of key personnel, and financing improvements.

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

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

Candler Hills East Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

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 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, miscellaneous revenues and interest. 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.

Candler Hills East Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

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 has implemented the 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 the state 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 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.

Candler Hills East Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

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 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 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.

Candler Hills East Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Basis of Presentation (Continued)

a. Governmental Major Funds (Continued)

Debt Service Fund – Accounts for debt service requirements to retire certain capital improvement revenue bonds which were used to finance the construction of District infrastructure improvements and finance certain additional improvements. The bond series is secured by a pledge of debt service special assessment revenues in any fiscal year related to the improvements. A lien is placed on all benefited land in relationship to the debt outstanding.

Capital Projects Fund – The Capital Project Fund accounts for 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 special assessment bonds, 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.

Candler Hills East Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

a. Cash and Investments (Continued)

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. 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.

c. Capital Assets

Capital assets, which include land, infrastructure, and improvements, 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 one year. 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.

Candler Hills East Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

c. Capital Assets (Continued)

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:

Improvements:	25 years
Infrastructure:	30 years

d. 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. Formal budgets are adopted for the general and debt service funds. As a result, deficits in the budget variance columns of the accompanying financial statements may occur.

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

“Total fund balances” of the District’s governmental funds (\$549,305) differs from “net position” of governmental activities (\$1,374,074) reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet. The effect of the differences is illustrated below.

**Candler Hills East Community Development District
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2019**

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

1. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position (Continued)

Capital related items

When capital assets (property, plant and equipment that are to be used in governmental activities) are purchased or constructed, the cost of those assets is reported as expenditures in governmental funds. However, the Statement of Net Position included those capital assets among the assets of the District as a whole.

Land	\$ 1,373,401
Improvements	3,986,633
Infrastructure	555,184
Accumulated depreciation	<u>(2,135,652)</u>
Total	<u>\$ 3,779,566</u>

Deferred outflows of resources

Deferred amounts on refunding deferred outflows of resources that are amortized over the life of the loan.

Deferred amount on refunding, net	<u>\$ 23,067</u>
-----------------------------------	------------------

Long-term debt transactions

Long-term liabilities and bond discount applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Position.

Bonds payable	\$ (2,935,000)
Bond discount, net	<u>261</u>
Bonds payable, net	<u>\$ (2,934,739)</u>

Accrued interest

Accrued liabilities in the Statement of Net Position differ from the amount reported in governmental funds due to accrued interest on bonds.

Accrued interest on bonds payable	<u>\$ (43,125)</u>
-----------------------------------	--------------------

Candler Hills East Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

2. Explanation of Differences Between the Governmental Fund Operating Statements and the Statement of Activities

The “net change in fund balances” for government funds (\$9,949) differs from the “change in net position” for governmental activities (\$(22,870)) reported in the Statement of Activities. The differences arise primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital related items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation. As a result, fund balances decrease by the amount of financial resources expended, whereas net position decrease by the amount of depreciation charged for the year.

Depreciation	\$ <u>(177,971)</u>
--------------	---------------------

Long-term debt transactions

Repayments of bond principal are reported as an expenditure in the governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used.

Debt principal payments	\$ <u>145,000</u>
-------------------------	-------------------

Candler Hills East Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

2. Explanation of Differences Between the Governmental Fund Operating Statements and the Statement of Activities (Continued)

Long-term debt transactions (Continued)

Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.

Net change in accrued interest payable	\$ <u>1,479</u>
Amortization of bond discount and deferred amount on refunding	\$ <u>(1,327)</u>

NOTE C – 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, 2019, the District's bank balance was \$32,352 and the carrying value was \$29,249. 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, 2019, the District had the following investments and maturities:

Investment	Maturities	Fair Value
Local Government Surplus Trust Fund - FL Prime Managed Money Market	37 days* N/A	\$ 167,711 <u>341,278</u>
Total		<u>\$ 508,989</u>

* Weighted Average Maturity

Candler Hills East Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE C – CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk – Deposits (Continued)

The District categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. 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 realizable and is based on quoted price for identical assets, or liabilities, in an active market. Level 2 uses significant other observable inputs when obtained quoted prices for identical or similar assets, or liabilities, in markets that are not active. Level 3 is the least reliable and uses significant unobservable inputs that uses the best information available under the circumstances which includes the District's own data in measuring unobservable inputs.

Based on the criteria in the preceding paragraph, the investment in Managed Money Market 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. Among other investments, the policy allows the District to invest in the State Board of Administration Local Government Surplus Trust Funds.

Cash placed with the State Board of Administration represents the District's participation in the Local Government Surplus Trust Funds Investment Pool and is reported at fair value. As a pool participant the District invests in pools of investments in which shares are owned in the pool rather than the underlying investments.

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. As of September 30, 2019, the District's investment in Local Government Surplus Trust Fund is rated AAAM by Standards & Poors.

Candler Hills East Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE C – CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one fund. The investments in Managed Money Market is 67% and the investments in the Local Government Surplus Fund is 33% of the District's total investments.

The types of deposits and investments and their level of risk exposure as of September 30, 2019 were typical of these items during the fiscal year then ended. The District considers any decline in fair value for certain investments to be temporary.

NOTE D – SPECIAL ASSESSMENT REVENUES

Assessments are non-ad valorem assessments on benefitted property within the District. Operating and Maintenance Assessments are based upon adopted budget and levied annually. Debt Service Assessments are levied when bonds are issued and collected annually. The District may collect assessments directly or utilize the uniform method of collection (Chapter 197.3632, Florida Statutes). Direct collected assessments are due as determined by annual assessment resolution adopted by the Board of Supervisors. Assessments collected under the uniform method are mailed by County Tax Collector on November 1 and due on or before March 31 of each year. Property owners may prepay a portion or all of the Debt Service Assessments on their property subject to various provisions in the bond documents.

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

Candler Hills East Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE E – CAPITAL ASSETS

Capital Asset activity for the year ended September 30, 2019 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 1,373,401	\$ -	\$ -	\$ 1,373,401
Capital assets, being depreciated:				
Improvements	3,986,633	-	-	3,986,633
Infrastructure	555,184	-	-	555,184
Total Capital Assets Depreciated	4,541,817	-	-	4,541,817
Less accumulated depreciation	(1,957,681)	(177,971)	-	(2,135,652)
Total Capital Assets Depreciated, Net	2,584,136	(177,971)	-	2,406,165
 Governmental Activities Capital Assets	 <u>\$ 3,957,537</u>	 <u>\$ (177,971)</u>	 <u>\$ -</u>	 <u>\$ 3,779,566</u>

Depreciation in the amount of \$177,971 was charged to physical environment.

NOTE F – LONG-TERM DEBT

In November 2016, Bay Laurel Community Development District issued conduit debt of \$3,380,000 of Special Assessment Revenue Refunding Bonds, Series 2016 ("Series 2016 Bonds"). In connection with the issuance of the Series Bonds, an agreement was established whereby Bay Laurel Community Development District loaned the Series 2016 Bonds funds to the District. The Series 2016 Bonds were issued to refund the Series 2006 Bonds. The Series 2016 Bonds are special limited obligation of Bay Laurel Community Development District, payable solely from and secured by pledge revenues to be collected by the District.

The following is a summary of activity for long-term debt of the District for the year ended September 30, 2019:

Long-term debt at October 1, 2018	\$ 3,080,000
Principal payments	<u>(145,000)</u>
Long-term debt at September 30, 2019	2,935,000
Bond discount, net	<u>(261)</u>
Bonds Payable, Net	<u>\$ 2,934,739</u>

**Candler Hills East Community Development District
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2019**

NOTE F – LONG-TERM DEBT (CONTINUED)

Special Assessment Revenue Refunding Bonds

Long-term debt is comprised of the following:

\$3,380,000 Series 2016 Special Assessment Revenue Refunding Bonds due in annual installments beginning May 2017 and maturing May 2037. Interest at various interest rates between 2% and 4% due in May and November and starting in May 2017. Current portion is \$150,000.	\$ 2,935,000
Bond discount, net	<u>(261)</u>
Bonds Payable, Net	<u>\$ 2,934,739</u>

The annual requirements to amortize the principal and interest of bonded debt outstanding as of September 30, 2019 are as follows:

Year Ending September 30,	Principal	Interest	Total
2020	\$ 150,000	\$ 103,050	\$ 253,050
2021	130,000	99,788	229,788
2022	130,000	96,863	226,863
2023	135,000	93,937	228,937
2024	140,000	90,563	230,563
2025-2029	700,000	389,387	1,089,387
2030-2034	915,000	238,500	1,153,500
2035-2037	<u>635,000</u>	<u>51,400</u>	<u>686,400</u>
Totals	<u>\$ 2,935,000</u>	<u>\$ 1,163,488</u>	<u>\$ 4,098,488</u>

**Candler Hills East Community Development District
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2019**

NOTE F – LONG-TERM DEBT (CONTINUED)

Summary of Significant Bonds Resolution Terms and Covenants

Special Assessment Revenue Refunding Bonds, Series 2016

The District levies special assessments pursuant to Section 190.022, Florida Statutes and the assessment rolls are approved by resolutions of the District Board. The collections are to be strictly accounted for and applied to the debt service of the bond series for which they were levied. The District covenants to levy special assessments in annual amounts adequate to provide for payment of principal and interest on the bonds. Payment of principal and interest is dependent on the money available in the debt service fund and the District’s ability to collect special assessments levied.

The Bonds are subject to redemption at the option of the District and are also subject to extraordinary mandatory redemption prior to maturity as outlined in the Trust Indenture.

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 Series 2016 Reserve Account is funded from the proceeds of the Bonds in an amount equal to fifty percent of the Maximum Annual Debt Service Requirement for all Outstanding Series 2016 Bonds. Monies held in the reserve accounts will be used only for the purposes established in the Trust Indenture.

	Reserve Balance	Reserve Requirement
Series 2016	\$ 118,300	\$ 116,700

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. The District has not filed any claims under the commercial insurance coverage over the last three years.

NOTE H – SUBSEQUENT EVENT

On November 1, 2019 the District prepaid \$25,000 of the Series 2016 Special Assessment Revenue Refunding Bonds.



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
Candler Hills East Community Development District
Marion 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 Candler Hills East Community Development District, as of and for the year ended September 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated November 20, 2019.

Internal Control Over Financial Reporting

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

Board of Supervisors
Candler Hills East Community Development District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Candler Hills East 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

November 20, 2019



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
Candler Hills East Community Development District
Marion County, FL

Report on the Financial Statements

We have audited the financial statements of the Candler Hills East Community Development District as of and for the year ended September 30, 2019, and have issued our report thereon dated November 20, 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 that report, which is dated November 20, 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 made to address findings and recommendations made in the preceding financial audit report. There were no findings or recommendations made in the preceding financial audit report.

Financial Condition and Management

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 Candler Hills East 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 Candler Hills East 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
Candler Hills East Community Development District

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, 2019 for the Candler Hills East Community Development District. It is management's responsibility to monitor the Candler Hills East 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.

Additional Matters

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

Purpose of this Letter

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

*Berger Toombs Elam
Gaines & Frank*

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

November 20, 2019



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 218.415, FLORIDA STATUTES**

To the Board of Supervisors
Candler Hills East Community Development District
Marion County, Florida

We have examined Candler Hills East Community Development District's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2019. Management is responsible for Candler Hills East Community Development District's compliance with those requirements. Our responsibility is to express an opinion on Candler Hills East 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 Candler Hills East 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 Candler Hills East Community Development District's compliance with the specified requirements.

In our opinion, Candler Hills East Community Development District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2019.

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

November 20, 2019