

Canopy Community Development District

FINANCIAL STATEMENTS

September 30, 2019



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Canopy Community Development District
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INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
Canopy Community Development District
Leon County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Canopy Community Development District (hereinafter referred to as "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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, 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 our report dated April 15, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
April 15, 2020



Management's Discussion and Analysis

Canopy Community Development District Management's Discussion and Analysis

Our discussion and analysis of the Canopy Community Development District's financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2019. Please read it in conjunction with the District's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- At September 30, 2019, the assets of the District exceeded its liabilities by approximately \$2.4 million.
- During the fiscal year ended September 30, 2019, the District issued \$11,405,000 of Series 2018 Special Assessment Bonds.
- During the fiscal year ended September 30, 2019, the District constructed additional infrastructure of approximately \$3.3 million, incurred approximately \$337,000 and \$432,000 of interest and bond issuance cost expenditures, respectively, and repaid principal of \$415,000.

USING THE ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities on pages 8 – 9 provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 10. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

Reporting the District as a Whole

Our analysis of the District as a whole begins on page 4. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and related changes during the current year. You can think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors; however, such as changes in the District's assessment base and the condition of the District's infrastructure, to assess the overall health of the District.

Canopy Community Development District Management's Discussion and Analysis

Reporting the District's Most Significant Funds

Our analysis of the District's major funds begins on page 5. The fund financial statements begin on page 10 and provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants. All of the District's funds are governmental fund-types.

- *Governmental funds* – All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

THE DISTRICT AS A WHOLE

The following table reflects the condensed Statement of Net Position and is compared to the prior year.

<i>September 30,</i>	2019	2018	Change
Assets			
Current and other assets	\$ 8,685,574	\$ 27,001	\$ 8,658,573
Capital assets, net	7,214,745	3,896,861	3,317,884
Total assets	\$ 15,900,319	\$ 3,923,862	\$ 11,976,457
Liabilities			
Current liabilities	\$ 2,913,898	\$ 2,060,708	\$ 853,190
Other liabilities	10,545,000	-	10,545,000
Total liabilities	13,458,898	2,060,708	11,398,190
Net position			
Net investment in capital assets	1,902,751	1,860,297	42,454
Restricted for:			
Debt service	489,690	-	489,690
Unrestricted	48,980	2,857	46,123
Total net position	2,441,421	1,863,154	578,267
Total liabilities and net position	\$ 15,900,319	\$ 3,923,862	\$ 11,976,457

For more detailed information, see the accompanying Statement of Net Position.

During the fiscal year ended September 30, 2019, total assets and liabilities increased by approximately \$12 million and \$11.4 million, respectively, over the prior fiscal year. The increases are due to the issuance of the Series 2018 bonds and infrastructure construction during the current year.

Canopy Community Development District Management's Discussion and Analysis

The following schedule compares the Statement of Activities for the current and previous fiscal year.

<i>Year ended September 30,</i>	2019	2018	Change
Revenues:			
Program revenues:			
Charges for services	\$ 1,651,158	\$ 80,045	\$ 1,571,113
Grants and contributions	152,784	-	152,784
General revenues:			
Developer contributions	15,492	2,000,000	(1,984,508)
Interest and other revenues	338	-	338
Total revenues	1,819,772	2,080,045	(260,273)
Expenses:			
General government	188,692	219,777	(31,085)
Maintenance and operations	5,380	-	5,380
Bond issue costs	432,100	-	432,100
Interest	615,333	-	615,333
Total expenses	1,241,505	219,777	1,021,728
Change in net assets	578,267	1,860,268	(1,282,001)
Net position, beginning of year	1,863,154	2,886	1,860,268
Net position, ending of year	\$ 2,441,421	\$ 1,863,154	\$ 578,267

For more detailed information, see the accompanying Statement of Activities.

Revenues decreased by approximately \$260,000 from the prior year, while expenses increased by approximately \$1 million. The decrease in revenues is due to the Leon County-City of Tallahassee Blueprint 2000 Intergovernmental Agency contributing \$2 million to fund a portion of the Dove Pond Stormwater Facility in the prior year. The increase in expenses is primarily due to the issuance of the Series 2018 Special Assessment Bonds and the related costs of issuance and interest expenditures. The overall result was a \$578,267 increase in net position for fiscal year 2019.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 10) reported a combined fund balance of approximately \$6.5 million, which is an increase over last year's fund balance deficit that totaled approximately \$2 million. Significant transactions are discussed below.

- During the fiscal year ended September 30, 2019, the District issued \$11,405,000 of Series 2018 Special Assessment Bonds.

Canopy Community Development District Management's Discussion and Analysis

- During the year ended September 30, 2019, the District established additional infrastructure of approximately \$3.3 million, incurred approximately \$337,000 of interest expenditures, and repaid principal of \$415,000.

The overall increase in fund balance for the year ended September 30, 2019 totaled \$8,528,268.

GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS

An Operating budget was established by the governing board for the District pursuant to the requirements of Florida Statutes. The budget to actual comparison for the general fund, including the original budget and final adopted budget, is shown at page 23.

The District experienced an unfavorable variance in revenues as compared to the budget in the amount of \$173,653. Conversely, the District has a favorable variance in expenditures as compared to the budget in the amount of \$219,776. The variance in revenues occurred primarily due to the District issuing bonds and levying assessments, which resulted in a reduction of developer contributions. The variance in expenditures occurred primarily due to anticipated maintenance and operations and amenity center expenditures that were not incurred in the current year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2019, the District had approximately \$7.2 million invested in capital assets. This amount represents an increase of approximately \$3.3 million over the fiscal year 2018 total.

A listing of capital assets by major category for the current and prior year follows:

<i>September 30,</i>	2019	2018	Change
Capital assets not being depreciated	\$ 7,214,745	\$ 3,896,861	\$ 3,317,884

More information about the District's capital assets is presented in Note 3 to the financial statements.

Debt

At September 30, 2019, the District had approximately \$11 million of bonds outstanding. This amount represents a net increase of approximately \$11 million from the fiscal year 2018 total.

Canopy Community Development District Management's Discussion and Analysis

A listing of debt amounts outstanding for the current and prior year is as follows:

<i>September 30,</i>	2019	2018	Change
Series 2018 A-1	\$ 2,225,000	\$ -	\$ 2,225,000
Series 2018 A-2	5,065,000	-	5,065,000
Series 2018 A-3	2,735,000	-	2,735,000
Series 2018 A-4	965,000	-	965,000
Total bonds payable	\$ 10,990,000	\$ -	\$ 10,990,000

More information about the District's long-term debt is presented in Note 4 to the financial statements.

FUTURE FINANCIAL FACTORS

Canopy Community Development District is an independent special district that operates under the provisions of Chapter 190, Florida Statutes. The District operates under an elected Board of Supervisors, which establishes policy and sets assessment rates. Assessment rates for fiscal year 2020 were established to provide for the operations of the District as well as the necessary debt service requirements.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. If you have questions about this report or need additional financial information, contact the Canopy Community Development District's management company at 9145 Narcoossee Road, Suite A206, Orlando, Florida 32827.



Basic Financial Statements

Canopy Community Development District Statement of Net Position

<i>September 30,</i>	2019
	Governmental Activities
Assets	
Cash and cash equivalents	\$ 8,362,504
Due from developer	315,445
Prepaid expenses	7,625
Capital assets:	
Not being depreciated	7,214,745
Total assets	15,900,319
Liabilities	
Accounts payable	61,704
Contracts payable	37,200
Retainage payable	261,968
Due to developer	1,830,141
Accrued interest payable	277,885
Non-current liabilities:	
Due within one year	445,000
Due in more than one year	10,545,000
Total liabilities	13,458,898
Net position	
Net investment in capital assets	1,902,751
Restricted for:	
Debt service	489,690
Unrestricted	48,980
Total net position	\$ 2,441,421

The accompanying footnotes are an integral part of these financial statements.

Canopy Community Development District Statement of Activities

Year ended September 30,

2019

					Net (Expense)
					Revenue and
					Changes in
					<u>Net Position</u>
		<u>Program Revenues</u>			
				Capital	
Functions/Programs	Expenses	Charges for	Grants and	Grants and	Governmental
		Services	Contributions	Contributions	Activities
Primary government:					
Governmental activities:					
General government	\$ (188,692)	\$ 131,821	\$ -	\$ -	\$ (56,871)
Maintenance and operations	(5,380)	3,759	-	-	(1,621)
Bond issue costs	(432,100)	-	-	-	(432,100)
Interest	(615,333)	1,515,578	8,205	144,579	1,053,029
Total governmental activities	\$ (1,241,505)	\$ 1,651,158	\$ 8,205	\$ 144,579	562,437

General Revenues

Developer contributions	15,492
Interest and other revenues	338
Total general revenues	15,830

Change in net position	578,267
Net position - beginning of year	1,863,154
Net position - end of year	\$ 2,441,421

The accompanying footnotes are an integral part of these financial statements.

Canopy Community Development District Balance Sheet – Governmental Funds

September 30,

2019

				Total
	General Fund	Debt Service	Capital Project Fund	Governmental Funds
Assets				
Cash and cash equivalents	\$ 53,957	\$ 671,678	\$ 7,636,869	\$ 8,362,504
Due from developer	-	315,445	-	315,445
Prepaid expenditures	7,625	-	-	7,625
Total assets	\$ 61,582	\$ 987,123	\$ 7,636,869	\$ 8,685,574
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 12,602	\$ -	\$ 49,102	\$ 61,704
Contracts payable	-	-	37,200	37,200
Retainage payable	-	-	261,968	261,968
Due to developer	-	-	1,830,141	1,830,141
Total liabilities	12,602	-	2,178,411	2,191,013
Fund balances				
Nonspendable	7,625	-	-	7,625
Restricted for debt service	-	987,123	-	987,123
Restricted for capital projects	-	-	5,458,458	5,458,458
Unassigned	41,355	-	-	41,355
Total fund balances	48,980	987,123	5,458,458	6,494,561
Total liabilities and fund balances	\$ 61,582	\$ 987,123	\$ 7,636,869	\$ 8,685,574

The accompanying footnotes are an integral part of these financial statements.

Canopy Community Development District
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of
Net Position

<i>September 30,</i>	2019
Total fund balances, governmental funds	\$ 6,494,561
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements.	7,214,745
Liabilities not due and payable from current resources, including accrued interest, are not reported in the fund financial statements.	(11,267,885)
Total net position - governmental activities	\$ 2,441,421

The accompanying footnotes are an integral part of these financial statements.

Canopy Community Development District
Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds

Year ended September 30,

2019

	General		Capital	Total
	Fund	Debt Service	Project Fund	Governmental Funds
Revenues				
Assessments	\$ 135,580	\$ 698,075	\$ -	\$ 833,655
Developer contributions	14,492	-	1,000	15,492
Prepayment revenue	-	817,503	-	817,503
Interest and other revenues	-	8,205	144,917	153,122
Total revenues	150,072	1,523,783	145,917	1,819,772
Expenditures				
Current:				
General government	98,569	-	90,123	188,692
Maintenance and operations	5,380	-	-	5,380
Debt service:				
Principal	-	415,000	-	415,000
Interest	-	337,448	-	337,448
Bond issue costs	-	-	432,100	432,100
Capital outlay	-	-	3,317,884	3,317,884
Total expenditures	103,949	752,448	3,840,107	4,696,504
Excess (deficit) of revenues over expenditures	46,123	771,335	(3,694,190)	(2,876,732)
Other Financing Sources (Uses)				
Transfers in	-	-	3,760	3,760
Transfers out	-	(3,760)	-	(3,760)
Bond issuance proceeds	-	219,548	11,185,452	11,405,000
Total other financing sources (uses)	-	215,788	11,189,212	11,405,000
Net change in fund balances	46,123	987,123	7,495,022	8,528,268
Fund balances (deficit), beginning of year	2,857	-	(2,036,564)	(2,033,707)
Fund balances, end of year	\$ 48,980	\$ 987,123	\$ 5,458,458	\$ 6,494,561

The accompanying footnotes are an integral part of these financial statements.

Canopy Community Development District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities

<u>September 30,</u>	<u>2019</u>
Net change in fund balances - governmental fund	\$ 8,528,268
Capital outlay, reported as expenditures in the governmental funds, is shown as capital assets on the Statement of Net Position.	3,317,884
Governmental funds report principal payments on bonds when debt is paid, whereas these payments are eliminated in the Statement of Activities and recognized as a decrease in bonds payable in the Statement of Net Position.	415,000
Bond proceeds which are reported as other financing sources in the governmental funds are recognized as long-term liabilities in the Statement of Net Position.	(11,405,000)
The change in accrued interest between the current and prior year is recorded on the Statement of Activities but not on the fund financial statements.	(277,885)
<u>Change in net position of governmental activities</u>	<u>\$ 578,267</u>

The accompanying footnotes are an integral part of these financial statements.

Canopy Community Development District Notes to the Financial Statements

NOTE 1: NATURE OF ORGANIZATION

The Canopy Community Development District (the “District”) was established on May 24, 2017 pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes, by the City of Tallahassee Ordinance No. 17-O-08. The Act provides, among other things, the power to manage basic services for community development, power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of certain infrastructure necessary for community development within the District.

The District is governed by a Board of Supervisors (“Board”), which is comprised of five members. The Supervisors are elected by the owners of property within the District. At September 30, 2019, one Board member is affiliated with the Developer, Ox Bottom Mortgage Holdings, LLC. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has the final responsibility for:

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

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth by Generally Accepted Accounting Principles (GAAP) as defined by the Governmental Accounting Standards Board (GASB). Based on the foregoing criteria, no potential component units were found.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to GAAP as applicable to governments in accordance with those promulgated by GASB. The following is a summary of the more significant policies:

Government-wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all the non-fiduciary activities of the primary government.

Canopy Community Development District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental activities, which normally are supported by assessments, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The business-type activities are reported separately in government-wide financial statements; however, at September 30, 2019, the District did not have any significant business-type activities. Therefore, no business-type activities are reported. Assessments and other items not properly included as program revenues (i.e., charges to customers or applicants who purchase, use, or directly benefit from goods or services) are reported as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Assessments are recognized as revenues in the year for which they are levied. Grants and other similar items are to be recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

Assessments and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the District. It is used to account

Canopy Community Development District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

for all financial resources except those required to be accounted for in other funds.

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 debt.

Capital Projects Fund – The Capital Projects Fund is used to account for the financial resources to be used in the acquisition or construction of major infrastructure within the District.

For the year ended September 30, 2019, the District does not report any proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use in the governmental fund financial statements, it is the government's policy to use committed resources first, followed by assigned resources, then unassigned resources as needed.

Cash, Deposits and Investments

The District maintains deposits with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. All Qualified Public Depositories must place with the Treasurer of the State of Florida securities in accordance with collateral requirements determined by the State's Chief Financial Officer. In the event of default by a Qualified Public Depository, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories.

Under this method, all the District's deposits are fully insured or collateralized at the highest level of security as defined by GASB, Statement Number 40, *Deposits and Investment Disclosures (An Amendment of GASB, Statement Number 3)*.

The District is authorized to invest in financial instruments as established by Section 218.415, Florida Statutes. The authorized investments include among others direct obligations of the U.S. Treasury; the Local Government Surplus Trust Funds as created by Section 218.405, Florida Statutes; SEC registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and interest-bearing time deposits or savings accounts in authorized financial institutions.

Capital Assets

Capital assets, which include primarily infrastructure assets (e.g., roads, sidewalks, water management systems and similar items), are reported in the governmental activities column in the government-wide

Canopy Community Development District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

financial statements. Capital assets are defined by the District as assets with an initial/individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost and estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government will be depreciated using the straight-line method over the estimated useful lives. Estimated useful lives for financial reporting purposes are as follows:

Asset	Years
Infrastructure	25

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and balance sheet – governmental funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any of this type of item at September 30, 2019.

In addition to liabilities, the statement of financial position and balance sheet – governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any of this type of item at September 30, 2019.

Canopy Community Development District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity

Net position in the government-wide financial statements represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents assets related to infrastructure and property, plant and equipment, net of any related debt. Restricted net position represents the assets restricted by the District's bond covenants.

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the District board through approval of resolutions. Assigned fund balance is a limitation imposed by a designee of the District board. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes.

Budgets

The District is required to establish a budgetary system and an approved annual budget. Annual budgets are legally adopted on a basis consistent with GAAP for the General Fund. Any revision to the budget must be approved by the District Board. The budgets are compared to actual expenditures. In instances where budget appropriations and estimated revenues have been revised during the year, budget data presented in the financial statements represent final authorization amounts.

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

- A. Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- B. A public hearing is conducted to obtain comments.
- C. Prior to October 1, the budget is legally adopted by the District Board.
- D. All budget changes must be approved by the District Board.
- E. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Canopy Community Development District Notes to Financial Statements

NOTE 3: CAPITAL ASSETS

The District will encompass approximately 424 acres. The Development plan for the proposed lands within the District includes approximately 900 single family residential units to be constructed in approximately seven phases. In addition to the single family residential units, the project plans to include parks and a central amenity center in the form of a clubhouse. The estimated cost of the project is \$90.9 million.

The following is a summary of changes in the capital assets for the year ended September 30, 2019:

	Beginning Balance	Additions	Transfers and Conveyances	Ending Balance
Governmental Activities:				
<i>Capital assets not being depreciated</i>				
Infrastructure under construction	\$ 3,896,861	\$ 3,317,884	\$ -	\$ 7,214,745
Total capital assets, not being depreciated	3,896,861	3,317,884	-	7,214,745
Governmental activities capital assets, net	\$ 3,896,861	\$ 3,317,884	\$ -	\$ 7,214,745

NOTE 4: BONDS PAYABLE

In October 2018, the District issued \$11,405,000 of Special Assessment Bonds, Series 2018, consisting of \$2,225,000 of Series 2018 A-1 Bonds, \$5,480,000 of Series 2018 A-2 Bonds, \$2,735,000 of Series 2018 A-3 Bonds, and \$965,000 of Series 2018 A-4 Bonds with interest rates ranging from 5.00% to 6.25%. The Bonds were issued to finance the acquisition and construction of the 2019 project. Interest is paid semiannually on each May 1 and November 1. Principal payments on the Series 2018 A-1 and Series 2018 A-4 Bonds are made serially commencing on May 1, 2020 through May 1, 2049. Principal payments on the Series 2018 A-2 and Series 2018 A-3 Bonds are made serially commencing on May 1, 2022 through May 1, 2049.

Long-term liability activity for the year ended September 30, 2019 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable:					
Series 2018 A-1	\$ -	\$ 2,225,000	\$ -	\$ 2,225,000	\$ 25,000
Series 2018 A-2	-	5,480,000	415,000	5,065,000	405,000
Series 2018 A-3	-	2,735,000	-	2,735,000	-
Series 2018 A-4	-	965,000	-	965,000	15,000
	\$ -	\$ 11,405,000	\$ (415,000)	\$ 10,990,000	\$ 445,000

Canopy Community Development District Notes to Financial Statements

NOTE 4: BONDS PAYABLE (Continued)

The Bond Indenture requires that the District maintain adequate funds in reserve accounts to meet the debt service reserve requirements as defined in the Indenture. The requirements have been met for the fiscal year ended September 30, 2019.

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

At September 30, 2019, the scheduled debt service requirements on bonds payable were as follows:

<i>Year Ending September 30,</i>	Principal	Interest	Total Debt Service
2020	\$ 445,000	\$ 654,470	\$ 1,099,470
2021	45,000	639,766	684,766
2022	145,000	637,216	782,216
2023	160,000	618,481	778,481
2024	165,000	618,826	783,826
2025 - 2029	995,000	2,931,396	3,926,396
2030 - 2034	1,355,000	2,591,468	3,946,468
2035 - 2039	1,830,000	2,128,048	3,958,048
2040 - 2044	2,480,000	1,498,144	3,978,144
2045 - 2049	3,370,000	641,102	4,011,102
	\$ 10,990,000	\$ 12,958,917	\$ 23,948,917

NOTE 5: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District maintains commercial insurance coverage to mitigate the risk of loss. Coverage may not extend to all situations. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. There have not been any claims filed on this commercial coverage since inception.

NOTE 6: MANAGEMENT COMPANY

The District has contracted with a management company, Governmental Management Services, to perform management advisory services, which include financial and accounting advisory services. Certain employees of the management company also serve as officers (Board appointed non-voting

Canopy Community Development District Notes to Financial Statements

NOTE 6: MANAGEMENT COMPANY (Continued)

positions) of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, and other administrative costs.

NOTE 7: RELATED PARTY TRANSACTIONS

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

The Developer funded the general operations of the District until the bond issuance and assessment levy in November 2018. For the year ended September 30, 2019, the Developer contributed approximately \$14,000 to fund the general operations. In addition, the Developer contributed \$1,000 to the Capital Projects Fund.

The Developer was assessed \$105,692 and \$632,165 for operations and maintenance and debt service costs, respectively, of which \$315,445 was due from Developer at September 30, 2019. In addition, during the year ended September 30, 2019, the developer remitted prepayment assessments totaling \$817,503.

During the years ended September 30, 2019 and September 30, 2018, the Developer paid for certain infrastructure costs and professional fees totaling approximately \$1.2 million. Total advances owed to the Developer at September 30, 2019 totaled approximately \$1.8 million, which is recorded as Due to developer on the accompanying Statement of Net Position and Balance Sheet – Governmental Funds.

NOTE 8: INTERGOVERNMENTAL REVENUE

In March 2019, the District entered into an interlocal agreement with the City of Tallahassee and Leon County-City of Tallahassee Blueprint Intergovernmental Agency. The District has agreed to construct part of segment 3 of Welaunee Boulevard and the accompanying sidewalks and multipurpose trails, along with the turn lane portion of segment 2. The Agency has included Welaunee Boulevard as part of the Blueprint 2020 Infrastructure project 25, Northeast Gateway: Welaunee Critical Area Plan Regional Infrastructure Phase 1. In accordance with the agreement, the City will reimburse actual construction costs of the project incurred by the District subject to (a) completion of an entire phase of the project with phasing as follows: B-3, B-4 and then B-5; (b) acceptance of completed phases of the project by the City, subject to compliance with all approved plans and specifications and permitting conditions, which acceptance will not be unreasonably withheld by the City; (c) dedication of the completed phase or phases of the Project to the City; and (d) submission and acceptance by the City of the project documentation. Payment shall be to the District within 90 days of submission of an authorized pay request. No payment shall be due from the City to the District prior to October 1, 2019. The District

Canopy Community Development District Notes to Financial Statements

NOTE 8: INTERGOVERNMENTAL REVENUE

shall complete construction of the project, and all roadway constituting the project, shall be dedicated and accepted by the City, by or before December 31, 2022. The City and Agency funding for the project will not exceed \$5,813,124.48. There were no funds received for this project during the year ended September 30, 2019.

NOTE 9: COMMITMENTS

In November 2017, the District entered into a contract to construct the Dove Pond Stormwater Facility. The contract totaled approximately \$4.5 million, including change orders. There is \$25,812 remaining on the contract. The contract is expected to be completed in early fiscal year 2020.

In addition, in January 2019, the Developer assigned the District a contract for Phase I and II site work. The contract totaled approximately \$897,000, including change orders. There is \$496,709 remaining on the contract. No pay requests have been provided nor has any work been performed since January 31, 2019. The contract is expected to be completed in fiscal year 2020.

In September 2019, the District entered into an agreement for construction services for Units 4 and 5 Dove Pond Walking Trail totaling \$90,153. The project will commence and will be completed in fiscal year 2020.

NOTE 10: SUBSEQUENT EVENTS

In October 2019, the District entered into a contract totaling approximately \$10 million for the infrastructure improvements of Units 4 and 5. Construction commenced in November 2019 and is anticipated to be completed in fall 2020.

In November 2019, the District entered into a facilities cost sharing agreement with Canopy Commercial Property Owners Association, Inc. In accordance with the agreement, the District shall provide the Association with District operation and maintenance for the stormwater management facilities; provide and maintain landscaping and supporting irrigation, operate and maintain the District's infrastructure and amenities; operate, maintain, alter, reconfigure, and replace Developer signage, development directional markers, and development lighting consistent with standards required for a first-class development; and remove all papers, debris and refuse from the District facilities, and wash and sweep paved areas consistent with standards required for a first-class development. The Association shall pay the Association Allocated Cost to the District within 30 days of receipt of an invoice from the District. Payments are expected to approximate \$67,180 annually.

**Required Supplemental Information
(Other than MD&A)**

**Canopy Community Development District
Budget to Actual Comparison Schedule – General Fund**

<i>Year ended September 30,</i>	2019		
	Original and Final Budget	Actual Amounts	Variance with Final Budget
Revenues			
Assessments	\$ 137,952	\$ 135,580	\$ (2,372)
Developer contributions	185,273	14,492	(170,781)
Interest and other revenues	500	-	(500)
Total revenues	323,725	150,072	(173,653)
Expenditures			
General government	116,575	98,569	18,006
Maintenance and operations	136,250	5,380	130,870
Amenity center	70,900	-	70,900
Total expenditures	323,725	103,949	219,776
Excess of revenues over expenditures	\$ -	\$ 46,123	\$ 46,123

**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
Canopy Community Development District
Leon 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 the governmental activities and each major fund of Canopy Community Development District (hereinafter referred to as the “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, and have issued our report thereon dated April 15, 2020.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws regulations, contracts, 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Carr, Riggs & Ingram, LLC". The script is cursive and fluid.

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida

April 15, 2020

MANAGEMENT LETTER

To the Board of Supervisors
Canopy Community Development District
Leon County, Florida

Report on the Financial Statements

We have audited the financial statements of the Canopy Community Development District ("District") as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated April 15, 2020.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated April 15, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding financial audit report.

Official Title and Legal Authority

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

Financial Condition and Management

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

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the District. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Additional Matters

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

Purpose of this Letter

Our management letter is intended solely for the information and use of 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.



CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
April 15, 2020

INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Supervisors
Canopy Community Development District
Leon County, Florida

We have examined Canopy Community Development District's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2019. Management of the District is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and performed the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
April 15, 2020