

**DP1 Community Development District**

**ANNUAL FINANCIAL REPORT**

**September 30, 2019**

**DP1 Community Development District**

**ANNUAL FINANCIAL REPORT**

**September 30, 2019**

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## REPORT OF INDEPENDENT AUDITORS

To the Board of Supervisors  
DP1 Community Development District  
St. Johns County, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of DP1 Community Development District as of and for the year ended September 30, 2019, and 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  
DP1 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 DP1 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

### *Management's Discussion and Analysis*

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 principally 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 the 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 June 10, 2020 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 DP1 Community Development District's internal control over financial reporting and compliance.



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

June 10, 2020

**DP1 Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2019**

Management's discussion and analysis of DP1 Community Development District's (the "District") financial performance provides an objective and easily readable analysis of the District's financial activities. The analysis provides summary financial information for the District and should be read in conjunction with the District's financial statements.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

**DP1 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 buildings and improvements, and infrastructure are reported in the **statement of net position**. All liabilities, including principal outstanding on bonds are included. The **statement of activities** includes depreciation on all long-lived assets of the District, but transactions between the different functions of the District have been eliminated in order to avoid "doubling up" the revenues and expenses. The *fund financial statements* provide a picture of the major funds of the District. In the case of governmental activities, outlays for long lived assets are reported as expenditures and long-term liabilities, such as general obligation bonds, are not included in the fund financial statements. To provide a link from the *fund financial statements* to the *government-wide financial statements*, reconciliations are provided from the *fund financial statements* to the *government-wide financial statements*.

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

**Financial Highlights**

The following are the highlights of financial activity for the year ended September 30, 2019.

- ◆ The District's liabilities exceeded assets by \$(5,656,648). Restricted net position was \$146,287. Unrestricted net position was \$(5,802,935).
- ◆ Governmental activities revenues totaled \$468,275 while governmental activities expenses totaled \$1,167,639.

**DP1 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**

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
Current assets	\$ 28,875	\$ 35,090
Restricted assets	146,287	5,175
Capital assets	15,437,054	14,343,814
Total Assets	15,612,216	14,384,079
Current liabilities	7,354	1,890,263
Non-current liabilities	21,261,510	17,451,100
Total Liabilities	21,268,864	19,341,363
Net Position		
Net investment in capital assets	-	1,814,948
Restricted	146,287	5,175
Unrestricted	(5,802,935)	(6,777,407)
Total Net Position	\$ (5,656,648)	\$ (4,957,284)

The increase in restricted assets was related to user fees collected in the current year.

The increase in capital assets is primarily related to capital additions in the current year in excess of depreciation.

The decrease in current liabilities relates to the decrease in contracts/retainage payable in the current year.

The increase in non-current liabilities was related to the new bond issuance in the current year.

**DP1 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**

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
Program Revenues		
Charges for services	\$ 357,586	\$ -
Operating contributions	109,916	333,951
General Revenues		
Investment income	773	-
Total Revenues	<u>468,275</u>	<u>333,951</u>
Expenses		
General government	97,691	84,635
Physical environment	287,695	72,974
Interest and other charges	782,253	442,767
Conveyances to others	-	4,690,859
Total Expenses	<u>1,167,639</u>	<u>5,291,235</u>
Change in Net Position	(699,364)	(4,957,284)
Net Position - Beginning of Year	<u>(4,957,284)</u>	<u>-</u>
Net Position - End of Year	<u>\$ (5,656,648)</u>	<u>\$ (4,957,284)</u>

The increase in charges for services is related to the collection of user fees for the first time in the current year.

The increase in physical environment expenses relates to the increase in depreciation in the current year.

The increase in interest and other charges relates to the increase in accreted interest in the current year.



**DP1 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>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Construction in progress	\$ -	\$ 9,347,665
Infrastructure	15,783,259	5,054,659
Less: accumulated depreciation	<u>(346,205)</u>	<u>(58,510)</u>
Governmental Activities Capital Assets	<u>\$ 15,437,054</u>	<u>\$ 14,343,814</u>

During the year, depreciation was \$287,695, and additions of \$10,728,600 were added to infrastructure and construction in progress was transferred to infrastructure.

**General Fund Budgetary Highlights**

Actual expenditures were less than the final budget because there was less legal, engineering, trustee and supervisor fees than were anticipated.

There were no amendments to the September 30, 2019 budget.

**Debt Management**

Governmental Activities debt includes the following:

- ◆ In April 2018, the District issued Series 2018A Capital Improvement Revenue Bonds to finance completed improvements within the District. The Series 2018A Bonds were issued as Capital Appreciation Bonds with an initial principal amount of \$8,122,247 and a maturity amount of \$83,236,801. The balance outstanding at September 30, 2019 was \$8,729,270.
- ◆ In June 2019, the District issued the Series 2019A Capital Improvement Revenue Bonds to finance completed improvements within the District. The Series 2019A Bonds were issued as Capital Appreciation Bonds with an initial principal amount of \$9,575,264 and a maturity amount of \$95,590,139. The balance outstanding at September 30, 2019 was \$9,755,633.
- ◆ During a prior year, the District entered into a Deferred Obligation with the Developer for \$2,776,607 to pay the balance of the acquisition price for certain improvements within the District.

**DP1 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**

DP1 Community Development District does not expect any economic factors to effect operations in 2020.

**Request for Information**

The financial report is designed to provide a general overview of DP1 Community Development District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the DP1 Community Development District's Finance Department at 2300 Glades Road, Suite 410W, Boca Raton, Florida 33431.

**DP1 Community Development District**  
**STATEMENT OF NET POSITION**  
**September 30, 2019**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets	
Cash	\$ 28,794
Accounts receivable	81
Total Current Assets	28,875
Non-Current Assets	
Restricted Assets	
Investments at fair value	146,287
Capital Assets	
Infrastructure	15,783,259
Less: accumulated depreciation	(346,205)
Total Non-Current Assets	15,583,341
Total Assets	15,612,216
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable and accrued expenses	4,353
Due to developer	3,001
Total Current Liabilities	7,354
Non-Current Liabilities	
Bonds payable	18,484,903
Deferred obligation	2,776,607
Total Non-Current Liabilities	21,261,510
Total Liabilities	21,268,864
<b>NET POSITION</b>	
Restricted-debt service	146,287
Unrestricted	(5,802,935)
Net Position	\$ (5,656,648)

See accompanying notes to financial statements.

**DP1 Community Development District  
STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2019**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		<b>Net (Expenses) Revenues and Changes in Net Position</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>
Governmental Activities				
General government	\$ (97,691)	\$ 120,909	\$ -	\$ 23,218
Physical environment	(287,695)	-	-	(287,695)
Interest and other charges	(782,253)	236,677	109,916	(435,660)
Total Governmental Activities	\$ (1,167,639)	\$ 357,586	\$ 109,916	(700,137)
		<b>General Revenues</b>		
				773
				(699,364)
				(4,957,284)
				\$ (5,656,648)

See accompanying notes to financial statements.

**DP1 Community Development District  
BALANCE SHEET –  
GOVERNMENTAL FUNDS  
September 30, 2019**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 28,794	\$ -	\$ -	\$ 28,794
Accounts receivable	81	-	-	81
Restricted Assets				
Investments, at fair value	-	146,287	-	146,287
Total Assets	<u>\$ 28,875</u>	<u>\$ 146,287</u>	<u>\$ -</u>	<u>\$ 175,162</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 4,353	\$ -	\$ -	\$ 4,353
Due to developer	3,001	-	-	3,001
Total Liabilities	<u>7,354</u>	<u>-</u>	<u>-</u>	<u>7,354</u>
<b>FUND BALANCES</b>				
Restricted				
Debt service	-	146,287	-	146,287
Unassigned	21,521	-	-	21,521
Total Fund Balances	<u>21,521</u>	<u>146,287</u>	<u>-</u>	<u>167,808</u>
 Total Liabilities and Fund Balances	 <u>\$ 28,875</u>	 <u>\$ 146,287</u>	 <u>\$ -</u>	 <u>\$ 175,162</u>

See accompanying notes to financial statements.

**DP1 Community Development District**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**September 30, 2019**

Total Governmental Fund Balances	\$ 167,808
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, infrastructure, \$15,783,259, net of accumulated depreciation, \$(346,205) used in governmental activities are not current financial resources, and therefore, are not reported at the fund level.	15,437,054
Long-term liabilities, including bonds payable, \$(18,484,903) and deferred obligations, \$(2,776,607) are not due and payable in the current period, and therefore, are not reported at the fund level.	<u>(21,261,510)</u>
Net Position of Governmental Activities	<u><u>\$ (5,656,648)</u></u>

See accompanying notes to financial statements.

**DP1 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
<b>Revenues</b>				
Charges for services	\$ -	\$ 357,586	\$ -	\$ 357,586
Developer contributions	13,843	109,915	1,572	125,330
Investment income	-	773	-	773
<b>Total Revenues</b>	<u>13,843</u>	<u>468,274</u>	<u>1,572</u>	<u>483,689</u>
<b>Expenditures</b>				
Current				
General government	97,691	-	-	97,691
Capital outlay	-	-	1,380,935	1,380,935
Debt Service				
Principal	-	102,413	12,351,871	12,454,284
Other debt service costs	-	103,840	-	103,840
<b>Total Expenditures</b>	<u>97,691</u>	<u>206,253</u>	<u>13,732,806</u>	<u>14,036,750</u>
<b>Excess of revenues over/(under) expenditures</b>	<u>(83,848)</u>	<u>262,021</u>	<u>(13,731,234)</u>	<u>(13,553,061)</u>
<b>Other Financing Sources/(Uses)</b>				
Transfers in	120,909	-	-	120,909
Transfers out	-	(120,909)	-	(120,909)
Issuance of long-term debt	-	-	12,351,871	12,351,871
Developer advance	-	-	3,234,410	3,234,410
<b>Total Other Financing Sources/(Uses)</b>	<u>120,909</u>	<u>(120,909)</u>	<u>15,586,281</u>	<u>15,586,281</u>
<b>Net change in fund balances</b>	37,061	141,112	1,855,047	2,033,220
<b>Fund Balances - October 1, 2018</b>	<u>(15,540)</u>	<u>5,175</u>	<u>(1,855,047)</u>	<u>(1,865,412)</u>
<b>Fund Balances - September 30, 2019</b>	<u>\$ 21,521</u>	<u>\$ 146,287</u>	<u>\$ -</u>	<u>\$ 167,808</u>

See accompanying notes to financial statements.

**DP1 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	\$	2,033,220
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported as expenditures at the fund level. However, at the government-wide level, the cost of these assets are capitalized and depreciated over their useful lives. This is the amount that capital outlay, \$1,380,935, exceeded depreciation, \$(287,695).		1,093,240
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Long-term debt proceeds are reported as an other financing source at the fund level, however at the government-wide level they increase non-current liabilities.		(15,586,281)
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Payments on long term debt are reported as expenditures at the fund level but reduce liabilities in the Statement of Net Position.		12,454,284
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Accreted interest is not a current financial use, and therefore, is not reflected at the fund level.		(678,413)
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At the fund level, revenues are recognized when they become available, however, revenues are recognized when they are earned at the government-wide level. This is the amount of the change in earned revenue that was not available.		(15,414)
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Change in Net Position of Governmental Activities	\$	<u><u>(699,364)</u></u>
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See accompanying notes to financial statements.



**DP1 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>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Developer contributions	\$ 120,909	\$ 120,909	\$ 13,843	\$ (107,066)
Expenditures				
Current				
General government	120,909	120,909	97,691	23,218
Other Financing Sources/(Uses)				
Transfers in	-	-	120,909	120,909
Net Change in Fund Balances	-	-	37,061	37,061
Fund Balances - October 1, 2018	-	-	(15,540)	(15,540)
Fund Balances - September 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,521</u>	<u>\$ 21,521</u>

See accompanying notes to financial statements.

**DP1 Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**1. Reporting Entity**

The District was established on July 18, 2017, pursuant to the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes, as amended (the "Act"), and by Ordinance 2017-35 of St. Johns County, Florida, as a Community Development District. The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of the infrastructure necessary for community development within its jurisdiction. The District is authorized to issue bonds for the purpose, among others, of financing, funding, planning, establishing, acquiring, constructing district roads, landscaping, and other basic infrastructure projects within or outside the boundaries of the DP1 Community Development District. The District is governed by a five-member Board of Supervisors. All the Supervisors are employed by the Developer. The District operates within the criteria established by Chapter 190.

As required by GAAP, these financial statements present the DP1 Community Development District (the primary government) as a stand-alone government. The reporting entity for the District includes all functions of government in which the District's Board exercises oversight responsibility including, but not limited to, financial interdependency, selection of governing authority, designation of management, significant ability to influence operations and accountability for fiscal matters.

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

**2. Measurement Focus and Basis of Accounting**

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

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

**DP1 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 all the governmental activities of the primary government. The effect of interfund activity has been removed from these statements.

Governmental activities are supported by user fees and developer contributions and interest. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program

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

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

**b. Fund Financial Statements**

The underlying accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

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

**DP1 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 classifies fund balance according to Governmental Accounting Standards Board Statement 54 – Fund Balance Reporting and Governmental Fund Type Definitions. The Statement requires the fund balance for governmental funds to be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The District has various policies governing the fund balance classifications.

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

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

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

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

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

**DP1 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 are expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability.

Debt service expenditures are recorded only when payment is due.

**3. Basis of Presentation**

**a. Governmental Major Funds**

General Fund – The General Fund is the District’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**DP1 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 – The Debt Service Fund accounts for the requirements to retire the bonds payable and developer advance.

Capital Projects Fund – The Capital Projects Fund accounts for the construction of infrastructure improvements within the District.

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

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

**4. Assets, Liabilities, and Net Position or Equity**

**a. Cash and Investments**

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

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

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

**DP1 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)**

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

**b. 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 construction in progress and infrastructure, are reported in the governmental activities column in the government-wide statements.

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.

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:

Infrastructure	15-30 years
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**DP1 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)**

**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. A formal budget is adopted for the general fund. As a result, deficits in the budget columns of the accompanying financial statements may occur.

**NOTE B – CASH AND INVESTMENTS**

All deposits are held in qualified public depositories and are included on the accompanying balance sheet and statement of net assets 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. The investment policy of the District follows the provisions of Chapter 280, Florida Statutes regarding deposits and investments. As of September 30, 2019, the District’s bank balance \$31,490 and the carrying value was \$28,794. The District controls its exposure to custodial credit risk because it 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
First American Govt Obligation	24 days*	\$ 146,287

\*Maturity is a weighted average maturity.

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



**DP1 Community Development District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2019**

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

Custodial Credit Risk – Deposits (Continued)

Assets or liabilities are classified into one of three levels. Level 1 is the most reliable and is based on quoted price for identical assets, or liabilities, in an active market. Level 2 uses significant other observable inputs when obtaining quoted prices for identical or similar assets, or liabilities, in markets that are not active. Level 3 is the least reliable and uses significant unobservable inputs that 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 listed above is a Level 1 asset.

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 in commercial paper 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 First American Government Obligation was rated AAAM by Standard & Poor's.

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one fund. The investments in First American Government Obligation represent 100% of 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.

**DP1 Community Development District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2019**

**NOTE C – CAPITAL ASSETS**

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

	Balance October 1, 2018	Additions	Deletions	Balance September 30, 2019
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Construction in progress	\$ 9,347,665	\$ -	\$ (9,347,665)	\$ -
Capital assets, being depreciated:				
Infrastructure	5,054,659	10,728,600	-	15,783,259
Less accumulated depreciation for:				
Infrastructure	(58,510)	(287,695)	-	(346,205)
Governmental Activities Capital Assets	\$ 14,343,814	\$ 10,440,905	\$ (9,347,665)	\$ 15,437,054

Depreciation of \$287,695 was charged to physical environment.

**NOTE D – LONG-TERM DEBT**

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

Long-term debt at October 1, 2018	\$ 17,451,100
Issuance of long-term debt	9,575,264
Deferred obligation	2,776,607
Developer advance	3,234,410
Accreted interest on bonds	678,413
Principal payments	(12,454,284)
Long-term debt at September 30, 2019	\$ 21,261,510

**DP1 Community Development District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2019**

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

Long-term debt is comprised of the following:

**Governmental Activities**

Bonds Payable

In April 2018, the District issued Series 2018A Capital Improvement Revenue Bonds, maturing April 1, 2058, at an interest rate of 6%. The Series 2018A Bonds were issued as Capital Appreciation Bonds with an initial principal amount of \$8,122,247 and a maturity amount of \$83,236,801. \$ 8,729,270

In June 2019, the District issued Series 2019A Capital Improvement Revenue Bonds, maturing December 1, 2058, at an interest rate of 6%. The Series 2019A Bonds were issued as Capital Appreciation Bonds with an initial principal amount of \$9,575,264 and a maturity amount of \$95,590,139. 9,755,633

Total Bonds Payable \$ 18,484,903

Deferred Obligation

During the year, the District entered into a Deferred Obligation with the Developer for \$2,776,607 to pay the balance of the acquisition price for certain improvements within the District. The obligation has a maturity date of June 6, 2058 and does not bear interest. The Obligation is payable solely from user fee revenues as defined in the Indenture. Payment to this Obligation will be made only to the extent amounts become available after all bonds issued under the Master Indenture, including the Series 2018 Bond and the Series 2019A Bond, have been paid in full. All amounts due on this Obligation will cease to be owed and be extinguished upon expiration of the Covenant. Amounts due under this Obligation may be prepaid in whole or in part at any time at the option of the Issuer. The District intends to refinance the Deferred Obligation at such time as Public Infrastructure Fee revenues collected pursuant to the Covenant can support such refinancing. The outstanding Deferred Obligation at September 30, 2019 was \$2,776,607.

Developer Advance

During the prior year, the District entered into an agreement with the Developer regarding the construction and acquisition of capital improvements. The Developer agreed to construct and acquire certain capital improvements on behalf of the District. The District agreed to repay the Developer to the extent proceeds are available and eligible from a future bond issuance or similar financing. During the year, the Developer Advance was paid off with the proceeds from the issuance of the Series 2019A Capital Improvement Bonds and Deferred Obligation.

**DP1 Community Development District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2019**

**NOTE E – INTERFUND TRANSFERS**

Interfund transfers for the year ended September 30, 2019, consisted for the following:

<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	Debt Service Fund
	\$ 120,909

Transfers related to user fees collected in the Debt Service Fund that were transferred to the General Fund.

**NOTE F – RELATED PARTY TRANSACTIONS**

All voting members of the Board of Supervisors are employed by the Developer or a related entity. The District received \$125,330 in contributions from the Developer for the year ended September 30, 2019. Additionally, the District has \$3,001 due to the developer.

**NOTE G – ECONOMIC DEPENDENCY**

The Developer owns a significant portion of land within the District. The District's activity is dependent upon the continued involvement of the Developer, the loss of which could have a material adverse effect on the District's operations.

**NOTE H – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The District has not filed any claims under this commercial coverage.



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## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Supervisors  
DP1 Community Development District  
St. Johns 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 DP1 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 June 10, 2020.

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

In planning and performing our audit, we considered DP1 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 DP1 Community Development District's internal control. Accordingly, we do not express an opinion on the effectiveness of DP1 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  
DP1 Community Development District

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether DP1 Community Development District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Berger Toombs Elam  
Gaines + Frank*

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

June 10, 2020



# Berger, Toombs, Elam, Gaines & Frank

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## MANAGEMENT LETTER

To the Board of Supervisors  
DP1 Community Development District  
St. Johns County, Florida

### Report on the Financial Statements

We have audited the financial statements of the DP1 Community Development District as of and for the year ended September 30, 2019, and have issued our report thereon dated June 10, 2020.

### Auditor's Responsibility

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

### Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and our Independent Auditor's Report on an examination conducted in accordance with AICPA Professionals Standards, AT-C Section 315 regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in that report, which is dated June 10, 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 made to address findings and recommendations made in the preceding financial audit report. There were no findings or recommendations in the prior financial audit report.

### Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires us to apply appropriate procedures and communicate the results of our determination as to whether or not DP1 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 DP1 Community Development District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial conditions assessment procedures as of September 30, 2019 for the DP1 Community Development District. It is management's responsibility to monitor the DP1 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.

Fort Pierce / Stuart

To the Board of Supervisors  
DP1 Community Development District

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 noted no 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

June 10, 2020





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**INDEPENDENT ACCOUNTANT'S REPORT/COMPLIANCE  
WITH SECTION 218.45 FLORIDA STATUTES**

To the Board of Supervisors  
DP1 Community Development District  
St. Johns County, Florida

We have examined DP1 Community Development District's compliance with Section 218.415, Florida Statutes during the year end September 30, 2019 . Management is responsible for compliance with those requirements. Our responsibility is to express an opinion on DP1 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 DP1 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 DP1 Community Development District's compliance with the specified requirements.

In our opinion, DP1 Community Development District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2019.

*Berger Toombs Elam  
Gaines + Frank*

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

June 10, 2020