

Financial Report

September 30, 2019

Durbin Crossing Community Development District

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Durbin Crossing Community Development District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of the *Durbin Crossing Community Development District* (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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

The District's 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 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 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 principles 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 *Durbin Crossing Community Development District* as of September 30, 2019, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year ended September 30, 2019 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 starting on page 3, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated May 14, 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, grant agreements and other matters. 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 the 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.

McDiarmid Davis

Orlando, Florida
May 14, 2020

Our discussion and analysis of the *Durbin Crossing Community Development District* (the "District") financial accomplishments provide an overview of the District's financial activities for the year ended September 30, 2019. Please read it in conjunction with the District's Independent Auditor's Report, financial statements and accompanying notes.

This information is being presented to provide additional information regarding the activities of the District and to meet the disclosure requirements of Government Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued June 1999.

Financial Highlights

- The liabilities of the District exceeded its assets at September 30, 2019 by \$27,279,521, an increase of \$1,669,889 in comparison with the prior year.
- At September 30, 2019, the District's governmental funds reported a combined fund balance of \$4,139,231, a decrease of \$583,680 in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the *Durbin Crossing Community Development District's* financial statements. The District's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements include all governmental activities that are principally supported by special assessment revenues. The District does not have any business-type activities. The governmental activities of the District include general government, physical environment and culture/recreation related functions.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has one fund category: Governmental Funds.

Governmental Funds

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

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

Durbin Crossing Community Development District
Management's Discussion And Analysis

The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, debt service fund and capital projects fund, all of which are considered to be major funds.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

Statement of Net Position

The District's net position was \$(27,279,521) at September 30, 2019. The following analysis focuses on the net position of the District's governmental activities.

	<u>2019</u>	<u>2018</u>
Assets, excluding capital assets	\$ 4,203,503	\$ 4,817,187
Capital assets, net of depreciation	<u>7,832,606</u>	<u>7,721,119</u>
Total assets	<u>12,036,109</u>	<u>12,538,306</u>
Liabilities, excluding long-term liabilities	669,295	726,208
Long-term Liabilities	<u>38,646,335</u>	<u>40,761,508</u>
Total liabilities	<u>39,315,630</u>	<u>41,487,716</u>
Net Position:		
Net investment in capital assets	970,947	(1,255,713)
Restricted for capital projects	1,408,641	1,629,519
Restricted for debt service	1,866,104	2,223,790
Unrestricted	<u>(31,525,213)</u>	<u>(31,547,006)</u>
Total net position	<u>\$ (27,279,521)</u>	<u>\$ (28,949,410)</u>

Government-Wide Financial Analysis (Continued):

The following is a summary of the District's governmental activities for the fiscal years ended September 30, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Revenues:		
Program revenues	\$ 5,416,898	\$ 7,479,754
General revenues	50,398	24,116
Total revenues	<u>5,467,296</u>	<u>7,503,870</u>
Expenses:		
General government	199,547	342,149
Physical environment	1,186,201	995,719
Culture/recreation	905,289	787,917
Interest on long-term debt	1,506,370	1,588,903
Total expenses	<u>3,797,407</u>	<u>3,714,688</u>
Change in net position	1,669,889	3,789,182
Net position, beginning of year	<u>(28,949,410)</u>	<u>(32,738,592)</u>
Net position, ending	<u>\$ (27,279,521)</u>	<u>\$ (28,949,410)</u>

As noted above and in the statement of activities, the cost of all governmental activities during the year ended September 30, 2019 was \$3,797,407. The majority of these costs are comprised of physical environment and interest on long-term debt expenses.

Financial Analysis of the Government's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At September 30, 2019, the District's governmental funds reported combined ending fund balances of \$4,139,231. Of this total, \$36,901 is nonspendable and \$222,562 is unassigned and available for spending at the District's discretion. The remainder of the fund balance \$3,879,768 is restricted to pay debt service and capital project costs.

The fund balance of the general fund increased \$21,793 due to an increase in transfers in. The debt service fund balance decreased by \$384,595 due to repayments of the Bonds. The capital projects fund balance decreased \$220,878 due to increase in capital outlay.

General Fund Budgetary Highlights

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. There was one amendment to the September 30, 2019 general fund budget. The legal level of budgetary control is at the fund level.

Capital Asset and Debt Administration

Capital Assets

At September 30, 2019, the District had \$7,832,606 invested in infrastructure, net of accumulated depreciation. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Capital Debt

At September 30, 2019, the District had \$38,646,335 in bonds outstanding. More detailed information about the District's capital debt is presented in the notes to the financial statements.

Requests for Information

If you have questions about this report or need additional financial information, contact the *Durbin Crossing Community Development District's* Finance Department at 475 West Town Place, Suite 114, St. Augustine, Florida 32092.

FINANCIAL STATEMENTS

Durbin Crossing Community Development District
Statement of Net Position
September 30, 2019

	<u>Governmental Activities</u>
Assets:	
Cash	\$ 395,281
Investments	103,892
Assessments receivable	60,552
Accounts receivables	12,246
Prepaid costs	36,901
Restricted assets:	
Temporarily restricted investments	3,594,631
Capital assets:	
Capital assets being depreciated, net	<u>7,832,606</u>
Total assets	<u>12,036,109</u>
Liabilities:	
Accounts payable and accrued expenses	64,272
Accrued interest payable	605,023
Noncurrent liabilities:	
Due within one year	1,610,000
Due in more than one year	<u>37,036,335</u>
Total liabilities	<u>39,315,630</u>
Net Position:	
Net investment in capital assets	970,947
Restricted for:	
Capital projects	1,408,641
Debt Service	1,866,104
Unrestricted	<u>(31,525,213)</u>
Total net position	<u>\$ (27,279,521)</u>

Durbin Crossing Community Development District
Statement of Activities
Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 199,547	\$ 173,190	\$ -	\$ -	\$ (26,357)
Physical environment	1,186,201	1,029,524	-	-	(156,677)
Culture/recreation	905,289	791,344	-	116,003	2,058
Interest on long-term debt	1,506,370	3,274,946	9,993	21,898	1,800,467
Total governmental activities	\$ 3,797,407	\$ 5,269,004	\$ 9,993	\$ 137,901	1,619,491
General Revenues:					
Investment income					1,934
Miscellaneous income					48,464
Total general revenues					50,398
Change in net position					1,669,889
Net position, beginning					(28,949,410)
Net position, ending					\$ (27,279,521)

Durbin Crossing Community Development District
Balance Sheet - Governmental Funds
September 30, 2019

	General	Debt Service	Capital Projects	Total Governmental Funds
Assets:				
Cash	\$ 125,094	\$ -	\$ 270,187	\$ 395,281
Investments	103,892	2,456,177	1,138,454	3,698,523
Accounts receivable	12,246	-	-	12,246
Assessments receivable	45,602	14,950	-	60,552
Prepaid costs	36,901	-	-	36,901
Total assets	\$ 323,735	\$ 2,471,127	\$ 1,408,641	\$ 4,203,503
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued expenses	\$ 64,272	\$ -	\$ -	\$ 64,272
Total liabilities	64,272	-	-	64,272
Fund Balances:				
Nonspendable	36,901	-	-	36,901
Restricted for:				
Debt service	-	2,471,127	-	2,471,127
Capital projects	-	-	1,408,641	1,408,641
Unassigned	222,562	-	-	222,562
Total fund balances	259,463	2,471,127	1,408,641	4,139,231
Total liabilities and fund balances	\$ 323,735	\$ 2,471,127	\$ 1,408,641	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 7,832,606

Liabilities not due and payable from current available resources are not reported in governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide statements.

Accrued interest payable	(605,023)	
Bonds payable	(38,646,335)	(39,251,358)
Net Position of Governmental Activities		\$ (27,279,521)

Durbin Crossing Community Development District
Statement of Revenues, Expenditures And Changes In Fund Balances
Governmental Funds
Year Ended September 30, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues:				
Special assessments	\$ 1,988,429	\$ 3,091,916	\$ -	\$ 5,080,345
Assessments-Prepayments	-	183,030	-	183,030
Investment income	1,934	9,993	21,898	33,825
Miscellaneous	54,093	-	116,003	170,096
Total revenues	<u>2,044,456</u>	<u>3,284,939</u>	<u>137,901</u>	<u>5,467,296</u>
Expenditures:				
Current:				
General government	184,221	-	-	184,221
Physical environment	947,372	-	23,778	971,150
Culture/recreation	665,308	-	-	665,308
Debt service:				
Interest	-	1,513,452	-	1,513,452
Principal	-	2,135,000	-	2,135,000
Other debt service costs	-	15,326	-	15,326
Capital outlay	-	-	566,519	566,519
Total expenditures	<u>1,796,901</u>	<u>3,663,778</u>	<u>590,297</u>	<u>6,050,976</u>
Excess (Deficit) of Revenues Over Expenditures	<u>247,555</u>	<u>(378,839)</u>	<u>(452,396)</u>	<u>(583,680)</u>
Other Financing Sources (Uses):				
Transfers in	155,756	-	381,518	537,274
Transfers out	(381,518)	(5,756)	(150,000)	(537,274)
Total other financing sources (uses)	<u>(225,762)</u>	<u>(5,756)</u>	<u>231,518</u>	<u>-</u>
Net change in fund balances	21,793	(384,595)	(220,878)	(583,680)
Fund balances, beginning of year	237,670	2,855,722	1,629,519	4,722,911
Fund balances, end of year	<u>\$ 259,463</u>	<u>\$ 2,471,127</u>	<u>\$ 1,408,641</u>	<u>\$ 4,139,231</u>

Durbin Crossing Community Development District
**Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances
of Governmental Funds to the Statement of Activities**
Year Ended September 30, 2019

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

Net Change in Fund Balances - total Governmental Funds (page 10) \$ (583,680)

Depreciation on capital assets is not recognized in the governmental fund statement; however, it is reported as an expense in the statement of activities. (439,779)

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources; however, in the statement of net position the cost is recorded as capital assets. 551,266

Bond proceeds provide current financial resources to governmental funds, while it increases long-term liabilities in the statement of net position. Repayments of long-term liabilities are reported as expenditures in governmental funds, while repayments reduce long-term liabilities in the statement of net position.

Principal payments 2,135,000

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

Change in accrued interest	\$ 26,909	
Amortization of bond discount	<u>(19,827)</u>	<u>7,082</u>

Change in Net Position of Governmental Activities (page 8) \$ 1,669,889

Durbin Crossing Community Development District
Statement of Revenues, Expenditures And Changes In Fund Balance
Budget and Actual - General Fund
Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Special Assessments	\$ 1,936,158	\$ 1,942,827	\$ 1,988,429	\$ 45,602
Investment Income	1,300	1,934	1,934	-
Miscellaneous Income	22,500	54,082	54,093	11
Total revenues	1,959,958	1,998,843	2,044,456	45,613
Expenditures:				
Current:				
General government	180,367	187,541	184,221	3,320
Physical environment	982,358	1,179,675	947,372	232,303
Culture/recreation	621,480	673,150	665,308	7,842
Total expenditures	1,784,205	2,040,366	1,796,901	243,465
Excess (Deficit) of Revenues Over Expenditures	175,753	(41,523)	247,555	289,078
Other Financing Sources (Uses):				
Transfers in	-	150,000	155,756	5,756
Transfers out	(175,753)	(175,753)	(381,518)	(205,765)
Total other financing sources (uses)	(175,753)	(25,753)	(225,762)	(200,009)
Net change in fund balance	-	(67,276)	21,793	89,069
Fund balance, beginning	237,670	237,670	237,670	-
Fund balance, ending	\$ 237,670	\$ 170,394	\$ 259,463	\$ 89,069

NOTES TO FINANCIAL STATEMENTS

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Durbin Crossing Community Development District, (the "District") was established on November 5, 2003 by Rule 42MM-1 by the Florida Land and Water Adjudicatory Commission, pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes. The Act provides, among other things, the power to manage basic services for community development, the power to borrow money and issue bonds, and the power to levy and collect non-ad valorem assessments for the financing and delivery of capital infrastructure. The District was established for the purpose of financing and managing the acquisition, construction, maintenance and operation of a portion of the infrastructure necessary for community development within the District.

The District is governed by the Board of Supervisors (the "Board"), which is composed of five members. At present, the Supervisors are elected by qualified electors within the District. 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, among other things:

1. Allocating 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.

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statements 14, 39 and 61. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District Board of Supervisors is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

Government-Wide and Fund Financial Statements

The 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 of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants, contributions and investment income that are restricted to meeting the operational or capital requirements of a particular function or segment and 3) operating-type special assessments that are treated as charges for services (including assessments for maintenance and debt service). Other items not included among program revenues are reported instead as *general revenues*.

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement 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 related cash flows. Assessments are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues 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 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 and operation and maintenance assessments, are non-ad valorem assessments imposed on all lands located within the District and benefited by the District's activities. Operation and maintenance assessments are levied by the District prior to the start of the fiscal year which begins October 1st and ends on September 30th. These 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. Certain debt service assessments are collected prior to a certificate of occupancy being issued and are used to prepay a portion of the bonds outstanding.

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

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.

Debt Service Fund

accounts for the accumulation of resources for the annual payment of principal and interest on long-term debt.

Capital Projects Fund

accounts for the financial resources to be used for the acquisition or construction of major infrastructure within the District.

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.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Restricted Assets

These assets represent cash and investments set aside pursuant to bond covenants.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits.

NOTE 2

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The District is required to establish a budgetary system and an approved annual budget for the General Fund. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at the fiscal year end. The legal level of budgetary control is at the fund level. Any budget amendments that increase the aggregate budgeted appropriations, at the fund level, must be approved by the Board of Supervisors.

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

1. Each year the District Manager submits to the District Board proposed budgets for the fiscal year commencing the following October 1.
2. A public hearing is conducted to obtain public comments.
3. Prior to October 1, the budget is legally adopted by the District Board.
4. Subject to certain limited exceptions set forth in the District's appropriation resolutions adopted each year, all budget changes must be approved by the District Board.
5. The budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

NOTE 3

DEPOSITS AND INVESTMENTS

Deposits

The District's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

Under GASB 72, 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.

The District has the following recurring fair value measurements as of September 30, 2019:

- Money market mutual funds of \$83,151 are valued using Level 2 inputs.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

The District's investment policy is governed by State Statutes and the District Trust Indenture. This policy allows investments in any financial institution that is a qualified public depository of the State of Florida as identified by the State Treasurer, in accordance with Chapter 280 of the Florida Statutes. Authorized investments are:

1. The State Board of Administration Local Government Investment Pool (SBA);
2. Securities and Exchange Commission Registered Money Market Funds with the highest credit quality rating from a nationally recognized rating agency;
3. Interest-bearing savings accounts and certificates of deposit in state-certified qualified public depositories;
4. Direct obligations of the U.S. Treasury.

Investments made by the District at September 30, 2019 are summarized below. In accordance with GASB 31, investments are reported at fair value.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity</u>
US Bank Money Market Fund	\$ 2,560,069	N/A	N/A
First American Treasury Obligation Fund Class Z	83,151	AAAm	26 days
Local Government Investment Pool:			
Florida Prime	1,055,303	AAAm	37 days
	<u>\$ 3,698,523</u>		

Credit Risk:

The District's investment policy limits credit risk by restricting authorized investments to those described. Investments in U.S. Government securities and agencies must be backed by the full faith and credit of the United States Government. Short term bond funds shall be rated by a nationally recognized ratings agency and shall maintain the highest credit quality rating.

Custodial Credit Risk:

In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2019, all of the District's bank deposits were in qualified public depositories.

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2019, none of the investments listed are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk:

The District's investment policy does not specify limits on the amount the District may invest in any one issuer.

Interest Rate Risk:

The District's investment policy does not specifically address interest rate risk; however, the general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments. The District manages its exposure to declines in fair values by investing primarily in pooled investments that have a weighted average maturity of less than three months.

NOTE 4 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers for the year ended September 30, 2019 are as follows:

Transfers Out:	Transfers In		
	General	Capital Projects	Total
General	\$ -	\$ 381,518	\$ 381,518
Debt Service	5,756	-	5,756
Capital Projects	150,000	-	150,000
	<u>\$ 155,756</u>	<u>\$ 381,518</u>	<u>\$ 537,274</u>

Transfers from the general fund to capital projects fund was for capital outlay.

NOTE 5 CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
Capital Assets Being Depreciated:				
Buildings	\$ 6,741,826	\$ -	\$ -	\$ 6,741,826
Improvements other than buildings	4,941,627	551,266	-	5,492,893
Equipment	44,219	-	-	44,219
Total capital assets, being depreciated	<u>11,727,672</u>	<u>551,266</u>	<u>-</u>	<u>12,278,938</u>
Less Accumulated Depreciation for:				
Buildings	(2,335,421)	(224,728)	-	(2,560,149)
Improvements other than buildings	(1,641,496)	(205,346)	-	(1,846,842)
Equipment	(29,636)	(9,705)	-	(39,341)
Total accumulated depreciation	<u>(4,006,553)</u>	<u>(439,779)</u>	<u>-</u>	<u>(4,446,332)</u>
Total capital assets being depreciated, net	<u>7,721,119</u>	<u>111,487</u>	<u>-</u>	<u>7,832,606</u>
Governmental activities capital assets, net	<u>\$ 7,721,119</u>	<u>\$ 111,487</u>	<u>\$ -</u>	<u>\$ 7,832,606</u>

Depreciation expense for 2019 in the amount of \$215,051 was charged to maintenance and operations and \$224,728 was charged to culture/recreation. District improvements are substantially complete.

NOTE 6

LONG-TERM LIABILITIES

Special Assessment Bonds, Series 2006-1

In November 2006, the District issued \$11,365,000 of Special Assessment Bonds, Series 2006-1. The 2006-1 Bonds are due November 1, 2020 with a fixed interest rate of 5.25%. The Bonds were issued to finance construction of certain improvements for the benefit of the property within the District. Interest is paid semiannually on each May 1 and November 1. Principal on the Series 2006-1 Bonds are due on November 1, 2020; however, the District has made certain prepayments.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirement as defined in the Indenture. This requirement has been met at 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 procedures 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. Payment of principal and interest on the 2006-1 Bonds is secured by a pledge of and a first lien upon the pledged special assessment revenue. The District is in compliance with the requirements of the Bond Indenture.

There is no principal and interest remaining on the Series 2006-1 Bonds at September 30, 2019. For the year ended September 30, 2019, principal and interest paid was \$507,824. In the event of default, Bonds outstanding may be due and payable immediately.

Special Assessment Revenue Refunding and Improvement Bonds, Series 2017

In February 2017, the District issued \$42,405,000 of Special Assessment Refunding Bonds, Series 2017, consisting of \$21,445,000 Senior Special Assessment Refunding Bonds, Series 2017A-1 Serial Bonds (due from May 2018 through May 2030 with an interest rate ranging from 2.0% to 3.5%), \$16,380,000 Senior Special Assessment Refunding Bonds, Series 2017A-1 Term Bonds (due from May 2032 through May 2037 with an interest rate ranging from 3.75% to 5.0%) and \$4,580,000 Subordinate Special Assessment Refunding Bonds, Series 2017A-2 Term Bonds (due May 2037 with an interest rate ranging from 5.0% to 6.25%). The Bonds were issued to refund the Series 2005A Bonds and pay certain issuance costs. Interest is paid semiannually on each May 1 and November 1. Principal payments on the Series 2017 Bonds commenced November 1, 2018.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirement as defined in the Indenture. This requirement has been met at 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 procedures 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. Payment of principal and interest on the 2017 Bonds is secured by a pledge of and a first lien upon the pledged special assessment revenue. The District is in compliance with the requirements of the Bond Indenture.

Total principal and interest remaining on the Series 2017 Bonds at September 30, 2019 is \$55,475,076. For the year ended September 30, 2019, principal and interest paid was \$3,140,628, and special assessment revenue pledged was \$3,274,029. In the event of default, Bonds outstanding may be due and payable immediately.

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
Series 2006-1	\$ 485,000	\$ -	\$ (485,000)	\$ -	\$ -
Series 2017	40,640,000	-	(1,650,000)	38,990,000	1,610,000
Discount	(363,492)	-	19,827	(343,665)	-
Governmental activity long-term liabilities	<u>\$ 40,761,508</u>	<u>\$ -</u>	<u>\$ (2,115,173)</u>	<u>\$ 38,646,335</u>	<u>\$ 1,610,000</u>

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

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 1,610,000	\$ 1,452,056
2021	1,650,000	1,415,219
2022	1,690,000	1,375,546
2023	1,735,000	1,330,844
2024	1,790,000	1,281,000
2025 - 2029	9,900,000	5,496,119
2030 - 2034	12,035,000	3,402,900
2035 - 2038	8,580,000	731,392
	<u>\$ 38,990,000</u>	<u>\$ 16,485,076</u>

NOTE 7 RELATED PARTY TRANSACTION

Assessments from Significant Landowners

Significant landowners own a portion of land within the District; and therefore, assessment revenue in the general and debt service funds include the assessments levied on those lots owned by the significant landowners. The significant landowner's portion of special assessment revenue for the year ended September 30, 2019 totaled approximately \$372,496, which is 7.1% of total special assessment revenue. There were no amounts due from the significant landowners at year end.

Concentrations

A significant portion of the District's activity is dependent upon the continued involvement of the significant landowners, the loss of which could have a material adverse effect on the District's operations.

COMPLIANCE SECTION

**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
Durbin Crossing Community Development District

We have audited, 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, the financial statements of the governmental activities and each major fund of the *Durbin Crossing Community Development District* (the "District") as of and for the year ended September 30, 2019, which collectively comprise the District's financial statements and have issued our report thereon dated May 14, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be a 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.

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.

McDiarmid Davis

Orlando, Florida
May 14, 2020

MANAGEMENT COMMENTS

Board of Supervisors
Durbin Crossing Community Development District

We have audited the financial statements of the *Durbin Crossing Community Development District* (the "District"), as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated May 14, 2020.

Auditor's 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 Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Auditor'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 these reports, which are dated May 14, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual 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. This information has been 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 of 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 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.

McDiarmid Davis

Orlando, Florida
May 14, 2020



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES**

To the Board of Supervisors
Durbin Crossing Community Development District

We have examined *Durbin Crossing Community Development District's* (the "District") compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2019. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on 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 the standards applicable to attestation engagements contained in *Government Auditing Standards issued by the Comptroller General of the United States*, and, accordingly, included examining, on a test basis, evidence about the 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 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.

McDermitt Davis

Orlando, Florida
May 14, 2020