

**Harbor Bay Community
Development District**

ANNUAL FINANCIAL REPORT

September 30, 2019

Harbor Bay Community Development District

ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2019

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REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our 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.

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To the Board of Supervisors
Harbor Bay Community Development District

Opinion

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated August 31, 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 Harbor Bay Community Development District's internal control over financial reporting and compliance.

*Berger Toombs Elam
Gaines & Frank*

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

August 31, 2020

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

**Harbor Bay Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 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 and Special Revenue Funds. *Fund financial statements* provide more detailed information about the District's activities. Individual funds are established by the District to track revenues that are restricted to certain uses or to comply with legal requirements.

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

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

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

Financial Highlights

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

- ◆ The District's total assets exceeded total liabilities by \$26,253,337 (net position). Net investment in capital assets for Governmental Activities was \$24,192,218. Unrestricted net position for Governmental Activities was \$849,265. Restricted net position for Governmental Activities was \$1,211,854.
- ◆ Governmental Activities revenues totaled \$6,314,276 while Governmental Activities expenses totaled \$7,527,736.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District

The following schedule provides a summary of the assets, liabilities and net position of the District and is presented by category for comparison purposes.

Net Position

	Governmental Activities	
	2019	2018
Current assets	\$ 3,948,854	\$ 5,664,644
Restricted assets	19,220,251	2,385,806
Capital assets	31,370,859	31,872,961
Total Assets	54,539,964	39,923,411
Deferred amount on refunding	319,460	-
Current liabilities	1,506,113	1,156,614
Non-current liabilities	27,099,974	11,300,000
Total Liabilities	28,606,087	12,456,614
Net Position - Net investment in capital assets	24,192,218	23,311,998
Net Position - Restricted	1,211,854	2,745,137
Net Position - Unrestricted	849,265	1,409,662
Total Net Position	\$ 26,253,337	\$ 27,466,797

The decrease in current assets is primarily due to the decrease in cash and assessments receivable in the current year.

The increase in restricted assets and non-current liabilities is related to the issuance of new debt for a capital project.

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District (Continued)

The following schedule provides a summary of the changes in net position of the District and is presented by category for comparison purposes.

Change in Net Position

	Governmental Activities	
	2019	2018
<u>Program Revenues</u>		
Charges for services	\$ 6,127,148	\$ 7,560,607
<u>General Revenues</u>		
Miscellaneous revenues	53,871	60,562
Investment earnings	133,257	66,762
Total Revenues	<u>6,314,276</u>	<u>7,687,931</u>
 <u>Expenses</u>		
General government	555,886	475,492
Physical environment	2,983,027	2,923,110
Culture/recreation	2,327,889	2,397,620
Public safety	158,824	200,231
Transportation	133,195	144,289
Interest and other charges	1,368,915	815,730
Total Expenses	<u>7,527,736</u>	<u>6,956,472</u>
 Change in Net Position	(1,213,460)	731,459
 Net Position - Beginning of Year	<u>27,466,797</u>	<u>26,735,338</u>
 Net Position - End of Year	<u>\$ 26,253,337</u>	<u>\$ 27,466,797</u>

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

The decrease in public safety is related to a decrease in remote security expenses in the current year.

**Harbor Bay 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 activity as of September 30, 2019 and 2018.

Description	Governmental Activities	
	2019	2018
Capital Assets, not being depreciated	\$ 9,785,463	\$ 8,109,991
Capital Assets, being depreciated	48,287,014	48,287,014
Accumulated depreciation	(26,701,618)	(24,524,044)
Total Capital Assets (Net)	\$ 31,370,859	\$ 31,872,961

During the year, the District added \$1,675,472 in capital assets not being depreciated and depreciation for governmental activities was \$2,177,574.

General Fund Budgetary Highlights

The budget was exceeded by governmental expenditures and transfers primarily due to the transfer to the capital projects fund was not anticipated in the approved budget.

The September 30, 2019 budget was not amended.

Debt Management

Governmental Activities debt includes the following:

- ◆ In 2001, the District issued \$26,650,000 Series 2001A and 2001B Capital Improvement Revenue Bonds with a fixed interest rate of 7.00% and 6.35% respectively. These bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the property within the District. The bonds were refinanced and redeemed during the current year.
- ◆ In 2002, the District issued \$12,500,000 Series 2002 Capital Improvement Revenue Bonds with a fixed interest rate of 6.75%. These bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the property within the District. The bonds were refinanced and redeemed during the current year.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Debt Management (Continued)

- ◆ In August 2019, the District issued \$18,200,000 Series 2019A-1 Capital Improvement Revenue Bonds with varying interest rates from 3.10% to 4.10%. These bonds were issued to finance the cost of the Series 2019 Project. As of September 30, 2019, \$18,200,000 of Series 2019A-1 Bonds were still outstanding.

- ◆ In August 2019, the District issued \$9,975,000 Series 2019A-2 Capital Improvement Revenue Refunding Bonds with varying interest rates from 3.10% to 3.75%. These bonds were issued to refund and redeem the Series 2001A and Series 2002 Capital Improvement Revenue Bonds. As of September 30, 2019, \$9,975,000 of Series 2019A-2 Bonds were still outstanding.

Economic Factors and Next Year's Budget

Other than the 2019 Capital Project expenditures, the District does not anticipate any economic factors to have a significant effect on the financial position or the results of operations in fiscal year 2020.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harbor Bay Community Development District, 250 International Parkway, Suite 280, Lake Mary, Florida 32746.

Harbor Bay Community Development District
STATEMENT OF NET POSITION
September 30, 2019

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and equivalents	\$ 3,781,039
Accounts receivable	5,732
Inventory	4,762
Prepaid expenses	100,664
Deposits	<u>56,657</u>
Total Current Assets	<u>3,948,854</u>
Non-current Assets	
Restricted assets	
Cash and investments	19,220,251
Capital assets:	
Assets not being depreciated	
Land and improvements	191,880
Construction in progress	9,593,583
Assets being depreciated	
Buildings and improvements	8,083,080
Infrastructure	39,980,997
Equipment	222,937
Less: accumulated depreciation	<u>(26,701,618)</u>
Total Non-current Assets	<u>50,591,110</u>
Total Assets	<u>54,539,964</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred amount on refunding	<u>319,460</u>
 LIABILITIES	
Current Liabilities	
Accounts payable and accrued expenses	509,107
Unearned revenues	9,312
Accrued interest payable	87,694
Bonds payable, current portion	<u>900,000</u>
Total Current Liabilities	<u>1,506,113</u>
Non-current Liabilities	
Bonds payable	<u>27,099,974</u>
Total Noncurrent Liabilities	<u>27,099,974</u>
Total Liabilities	<u>28,606,087</u>
 NET POSITION	
Net investment in capital assets	24,192,218
Restricted for debt service	95,944
Restricted for capital projects	1,115,910
Unrestricted	<u>849,265</u>
Total Net Position	<u><u>\$ 26,253,337</u></u>

See accompanying notes to financial statements.

Harbor Bay Community Development District
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenues and Changes in Net Position Governmental Activities
Governmental Activities			
General government	\$ (555,886)	\$ 689,768	\$ 133,882
Physical environment	(2,983,027)	1,443,390	(1,539,637)
Culture/recreation	(2,327,889)	2,526,264	198,375
Public safety	(158,824)	197,076	38,252
Transportation	(133,195)	11,350	(121,845)
Interest and other charges	(1,368,915)	1,259,300	(109,615)
Total Governmental Activities	\$ (7,527,736)	\$ 6,127,148	(1,400,588)
General Revenues			
			133,257
			53,871
			187,128
			(1,213,460)
			27,466,797
			\$ 26,253,337

See accompanying notes to financial statements.

**Harbor Bay Community Development District
BALANCE SHEET -
GOVERNMENTAL FUNDS
September 30, 2019**

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,440,292	\$ 224,837	\$ -	\$ 1,115,910	\$ 3,781,039
Accounts receivable	5,732	-	-	-	5,732
Inventory	4,762	-	-	-	4,762
Prepaid expenses	100,664	-	-	-	100,664
Deposits	56,657	-	-	-	56,657
Restricted assets					
Investments, at fair value	-	-	1,147,615	18,072,636	19,220,251
Total Assets	<u>\$ 2,608,107</u>	<u>\$ 224,837</u>	<u>\$ 1,147,615</u>	<u>\$ 19,188,546</u>	<u>\$ 23,169,105</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued expenses	\$ 280,511	\$ 1,260	\$ -	\$ 227,336	\$ 509,107
Unearned revenues	9,312	-	-	-	9,312
Total Liabilities	<u>289,823</u>	<u>1,260</u>	<u>-</u>	<u>227,336</u>	<u>518,419</u>
Fund Balances:					
Nonspendable:					
Inventory	4,762	-	-	-	4,762
Prepaid expenses	100,664	-	-	-	100,664
Deposits	56,657	-	-	-	56,657
Restricted:					
Debt service	-	-	1,147,615	-	1,147,615
Capital projects	-	-	-	18,961,210	18,961,210
Committed - Special revenue	-	223,577	-	-	223,577
Unassigned	2,156,201	-	-	-	2,156,201
Total Fund Balances	<u>2,318,284</u>	<u>223,577</u>	<u>1,147,615</u>	<u>18,961,210</u>	<u>22,650,686</u>
Total Liabilities and Fund Balances	<u>\$ 2,608,107</u>	<u>\$ 224,837</u>	<u>\$ 1,147,615</u>	<u>\$ 19,188,546</u>	<u>\$ 23,169,105</u>

See accompanying notes to financial statements.

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

Total Governmental Fund Balances	\$ 22,650,686
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets not being depreciated, land and improvements, \$191,880 and construction in progress, \$9,593,583 used in governmental activities are not current financial resources, and, therefore, are not reported at the fund level.	9,785,463
Capital assets being depreciated, infrastructure, \$39,980,997; buildings and improvements, \$8,083,080, and equipment, \$222,937; net of accumulated depreciation, \$(26,701,618) used in governmental activities are not current financial resources; and therefore are not reported at the fund level.	21,585,396
Deferred outflow of resources are not current financial resources and therefore, are not reported at the fund level.	319,460
Long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported at the fund level.	(27,999,974)
Accrued interest expense for long-term debt is not a current financial use and therefore, is not reported at the fund level.	<u>(87,694)</u>
Net Position of Governmental Activities	<u><u>\$ 26,253,337</u></u>

See accompanying notes to financial statements.

Harbor Bay Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2019

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
Revenues					
Special assessments	\$ 4,437,806	\$ -	\$ 1,259,300	\$ 270,534	\$ 5,967,640
Charges for services	438,162	-	-	-	438,162
Investment earnings	59,356	1,148	53,294	19,459	133,257
Other revenues	9,177	38,850	-	5,844	53,871
Total Revenues	<u>4,944,501</u>	<u>39,998</u>	<u>1,312,594</u>	<u>295,837</u>	<u>6,592,930</u>
Expenditures					
Current					
General government	555,886	-	-	-	555,886
Physical environment	1,163,232	-	-	41,896	1,205,128
Culture/recreation	2,035,923	16,339	-	-	2,052,262
Public safety	158,824	-	-	-	158,824
Transportation	9,147	-	-	-	9,147
Capital outlay	-	-	-	1,675,472	1,675,472
Debt service					
Principal	-	-	11,735,000	-	11,735,000
Interest	-	-	1,117,643	-	1,117,643
Other debt service costs	-	-	-	815,553	815,553
Total Expenditures	<u>3,923,012</u>	<u>16,339</u>	<u>12,852,643</u>	<u>2,532,921</u>	<u>19,324,915</u>
Excess/deficiency of revenues over/(under) expenditures	<u>1,021,489</u>	<u>23,659</u>	<u>(11,540,049)</u>	<u>(2,237,084)</u>	<u>(12,731,985)</u>
Other Financing Sources/(Uses)					
Issuance of long-term debt	-	-	10,477,293	17,697,707	28,175,000
Bond discount	-	-	(175,490)	-	(175,490)
Transfers in	-	-	2,540	1,848,936	1,851,476
Transfers out	(1,848,936)	-	-	(2,540)	(1,851,476)
Total Other Financing Sources/(Uses)	<u>(1,848,936)</u>	<u>-</u>	<u>10,304,343</u>	<u>19,544,103</u>	<u>27,999,510</u>
Net change in fund balances	<u>(827,447)</u>	<u>23,659</u>	<u>(1,235,706)</u>	<u>17,307,019</u>	<u>15,267,525</u>
Fund Balances - Beginning of Year	<u>3,145,731</u>	<u>199,918</u>	<u>2,383,321</u>	<u>1,654,191</u>	<u>7,383,161</u>
Fund Balances - End of Year	<u>\$ 2,318,284</u>	<u>\$ 223,577</u>	<u>\$ 1,147,615</u>	<u>\$ 18,961,210</u>	<u>\$22,650,686</u>

See accompanying notes to financial statements.

Harbor Bay Community Development District
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2019

Net Change in Fund Balances - Total Governmental Funds \$ 15,267,525

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount depreciation (\$2,177,574) exceeded capital outlay (\$1,675,472) in the current period. (502,102)

Governmental funds report bond proceeds (\$28,175,000) as an other financing source and bond discounts (\$175,490) as an other financing use, but the net proceeds increase long-term liabilities at the government-wide level. (27,999,510)

The deferred amount on refunding is recognized as an other debt service cost at the fund level. This amount is reflected as a deferred outflow of resources at the government-wide level and amortized over the life of the bonds. 321,420

Repayment of long-term liabilities are reported as expenditures in the governmental fund statements but such repayments reduce liabilities in the Statement of Net Position. 11,735,000

Revenues that are not available at year end are reflected as a deferred inflow of resources, deferred revenue at the fund level, however, revenues are recognized when earned at the government-wide level. (278,654)

The deferred amount on refunding is amortized in the Statement of Activities, but not in the governmental funds. This is the amount of current year amortization (1,960)

Bond discounts are amortized over the life of the bonds as interest. This is the current period amortization. (464)

Accrued interest expense is reported in the Statement of Activities but in governmental funds interest expenditures are reported when due. This is the net amount between current year and prior year accruals. 245,285

Change in Net Position of Governmental Activities \$ (1,213,460)

See accompanying notes to financial statements.

Harbor Bay Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended September 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Special assessments	\$3,803,637	\$ 3,803,637	\$ 4,437,806	\$ 634,169
Charges for services	414,073	414,073	438,162	24,089
Investment earnings	-	-	59,356	59,356
Other revenues	-	-	9,177	9,177
Total Revenues	<u>4,217,710</u>	<u>4,217,710</u>	<u>4,944,501</u>	<u>726,791</u>
Expenditures				
Current				
General government	456,903	456,903	555,886	(98,983)
Physical environment	1,103,645	1,103,645	1,163,232	(59,587)
Culture/recreation	2,360,708	2,360,708	2,035,923	324,785
Public safety	271,704	271,704	158,824	112,880
Transportation	24,750	24,750	9,147	15,603
Total Expenditures	<u>4,217,710</u>	<u>4,217,710</u>	<u>3,923,012</u>	<u>294,698</u>
Excess/deficiency of revenues over/(under) expenditures	-	-	1,021,489	1,021,489
Other Financing Sources/(Uses)				
Transfers out	-	-	(1,848,936)	(1,848,936)
Net change in fund balances	-	-	(827,447)	(827,447)
Fund Balances - Beginning of Year	-	-	3,145,731	3,145,731
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,318,284</u>	<u>\$ 2,318,284</u>

See accompanying notes to financial statements.

Harbor Bay Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUND
For the Year Ended September 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Homeowner's contributions	\$ 850	\$ 850	\$ -	\$ (850)
Investment income	-	-	1,148	1,148
Other revenues	27,400	27,400	38,850	11,450
Total Revenues	<u>28,250</u>	<u>28,250</u>	<u>39,998</u>	<u>11,748</u>
Expenditures				
Current				
General government	2,500	2,500	-	2,500
Culture/recreation	25,750	25,750	16,339	9,411
Total Expenditures	<u>28,250</u>	<u>28,250</u>	<u>16,339</u>	<u>11,911</u>
Net change in fund balances	-	-	23,659	23,659
Fund Balances - Beginning of Year	<u>-</u>	<u>-</u>	<u>199,918</u>	<u>199,918</u>
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 223,577</u>	<u>\$ 223,577</u>

See accompanying notes to financial statements.

Harbor Bay Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE A – SUMMARY OF ACCOUNTING POLICIES

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

1. Reporting Entity

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

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

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

2. Measurement Focus and Basis of Accounting

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

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

a. Government-wide Financial Statements

Government-wide financial statements report all non-fiduciary information about the reporting government as a whole. These statements include all the governmental activities of the primary government. The effect of interfund activity has been removed from these statements.

Harbor Bay Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE A – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

a. Government-wide Financial Statements (Continued)

Governmental activities are normally supported by special assessments. Program revenues include charges for services and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the Statement of Activities to present the net cost of each program.

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

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

b. Fund Financial Statements

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

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

Governmental Funds

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

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

The District has various policies governing the fund balance classifications.

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

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

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Interest associated with the current fiscal period is considered to be an accrual item and so has been recognized as revenue of the current fiscal period.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financial sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

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

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability.

Debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

3. Basis of Presentation

a. Governmental Major Funds

General Fund

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

Special Revenue Fund

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

Debt Service Fund

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

Capital Projects Fund

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

b. Non-current Governmental Assets/Liabilities

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

Harbor Bay Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assets, Liabilities, and Net Position or Equity

a. Cash and Investments

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

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

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

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

b. Receivables and Payables

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

c. Restricted Net Position

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

d. Capital Assets

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

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

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

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

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

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

e. Budgets

Budgets are prepared and adopted after public hearings for the governmental funds, pursuant to Chapter 190, Florida Statutes. The District utilizes the same basis of accounting for budgets as it does for revenues and expenditures in its various funds. A budget was not prepared for the Special Revenue Fund this fiscal year. A budget was prepared for this fund for the year ended September 30, 2019.

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

f. Deferred Outflow of Resources

Deferred outflows of resources represent a consumption of net position/fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred amount on refunding reported on the Statement of Net Position. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**Harbor Bay 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)

g. Unamortized Bond Discount

Bond discounts are presented on the government-wide financial statements. The costs are amortized over the life of the bonds using the method of accounting. For financial reporting, the unamortized bond discount is netted against the applicable long-term debt.

NOTE B – CASH AND INVESTMENTS

All deposits are held in qualified public depositories and are included on the accompanying balance sheet as cash and investments.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. The District does, however, follow the provisions of Chapter 280, Florida Statutes regarding deposits and investments. As of September 30, 2019, the District's bank balance was \$2,963,828 and the carrying value was \$3,781,039. Exposure to custodial credit risk was as follows. The District maintains all deposits in a qualified public depository in accordance with the provisions of Chapter 280, Florida Statutes, which means that all deposits are fully insured by Federal Depositors Insurance or collateralized under Chapter 280, Florida Statutes.

As of September 30, 2019, the District had the following investments and maturities:

Investment	Maturities	Fair Value
First American Treasury Obligation Fund	24 days*	\$ 19,220,251

*Maturity is a weighed average maturity.

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

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

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

Harbor Bay Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE B – CASH AND INVESTMENTS (CONTINUED)

Investments

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

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

The types of deposits and investments and their level of risk exposure as of September 30, 2019 were typical. The First American Treasury Obligation Fund investment was rated AAAM by Standard & Poor's.

NOTE C – SPECIAL ASSESSMENT REVENUES

Assessment revenues for operations and maintenance, debt service and a capital reserve recognized for the 2018-2019 fiscal year were levied in October 2018. All taxes are due and payable on November 1 or as soon as the assessment roll is certified and delivered to the Tax Collector. Per Section 197.162, Florida Statutes, discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. Taxes paid in March are without discount.

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

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

Harbor Bay Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE D – INTERFUND BALANCES

Interfund balances at September 30, 2019, consisted of the following:

<u>Transfer In</u>	<u>Transfer Out</u>		<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	
Debt Service Fund	\$ -	\$ 2,540	\$ 2,540
Capital Projects Fund	1,848,936	-	1,848,936
	<u>\$ 1,848,936</u>	<u>\$ 2,540</u>	<u>\$ 1,851,476</u>

Transfers from the General Fund to the Capital Projects Fund were made to fund repairs made to the Sea Wall. Transfers from the Capital Projects Fund to the Debt Service Fund were made to close out accounts related to the Series 2019A-1 Refunding Bonds.

NOTE E – CAPITAL ASSETS

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

	October 1, 2018	Additions	Deletions	September 30, 2019
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land and land improvements	\$ 191,880	\$ -	\$ -	\$ 191,880
Construction in progress	7,918,111	1,675,472	-	9,593,583
Total Capital Assets, Not Depreciated	<u>8,109,991</u>	<u>1,675,472</u>	<u>-</u>	<u>9,785,463</u>
Capital assets, being depreciated:				
Buildings	8,083,080	-	-	8,083,080
Equipment	222,937	-	-	222,937
Infrastructure	36,259,552	-	-	36,259,552
Infrastructure - roadways and other improvements	3,721,445	-	-	3,721,445
Total Capital Assets, Being Depreciated	<u>48,287,014</u>	<u>-</u>	<u>-</u>	<u>48,287,014</u>
Less accumulated depreciation for:				
Buildings	(3,438,602)	(275,627)	-	(3,714,229)
Equipment	(177,034)	(44,587)	-	(221,621)
Infrastructure	(19,667,928)	(1,733,312)	-	(21,401,240)
Infrastructure - roadways and other improvements	(1,240,480)	(124,048)	-	(1,364,528)
Total Accumulated Depreciation	<u>(24,524,044)</u>	<u>(2,177,574)</u>	<u>-</u>	<u>(26,701,618)</u>
Total Capital Assets Depreciated, Net	<u>23,762,970</u>	<u>(2,177,574)</u>	<u>-</u>	<u>21,585,396</u>
Governmental Activities Capital Assets	<u>\$ 31,872,961</u>	<u>\$ (502,102)</u>	<u>\$ -</u>	<u>\$ 31,370,859</u>

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

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

NOTE F – LONG-TERM DEBT

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

Long-term debt at September 30, 2019	\$ 11,735,000
Issuance of long-term debt	28,175,000
Principal payments	<u>(11,735,000)</u>
Long-term debt at September 30, 2019	28,175,000
Less: bond discount, net	<u>(175,026)</u>
Bonds payable, net at September 30, 2019	<u><u>\$ 27,999,974</u></u>

Long-term debt for Governmental Activities is comprised of the following:

Capital Improvement Revenue Bonds

<p>\$18,200,000 Series 2019A-1 Capital Improvement Revenue Bonds are due in annual principal installments beginning May 2020 maturing May 2048. Interest at various rates between 3.10% and 4.10% is due May and November beginning November 2019. Current portion is \$365,000.</p>	\$ 18,200,000
<p>\$19,975,000 Series 2019A-2 Capital Improvement Revenue Refunding Bonds are due in annual principal installments beginning May 2020 maturing May 2034. Interest at various rates between 3.10% and 3.75% is due May and November beginning November 2019. Current portion is \$535,000.</p>	<u>9,975,000</u>
Bonds payable	<u><u>\$ 28,175,000</u></u>

Harbor Bay Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE F – LONG-TERM DEBT (CONTINUED)

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

Year Ending September 30,	Principal	Interest	Total
2020	\$ 900,000	\$ 692,926	\$ 1,592,926
2021	925,000	1,007,176	1,932,176
2022	960,000	978,501	1,938,501
2023	990,000	948,741	1,938,741
2024	1,025,000	918,051	1,943,051
2025-2029	5,610,000	4,073,826	9,683,826
2030-2034	6,515,000	3,015,201	9,530,201
2035-2039	3,315,000	2,021,925	5,336,925
2040-2044	4,045,000	1,308,310	5,353,310
2045-2048	3,890,000	406,925	4,296,925
Totals	<u>\$ 28,175,000</u>	<u>\$ 15,371,582</u>	<u>\$ 43,546,582</u>

Significant Bond Provisions

The Series 2019A-1 and Series 2019A-2 Bonds (collectively, the Series 2019A Bonds) may, at the option of the District, be called for redemption prior to maturity in whole or in part at any time, on or after May 1, 2029, at the redemption price of the principal amount of the Series 2019A Bonds or portions thereof to be redeemed together with accrued interest to the redemption date.

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

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

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

NOTE F – LONG-TERM DEBT (CONTINUED)

Depository Funds

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

Reserve Fund – The 2019 Reserve Accounts are funded from the proceeds of the respective Bonds in amounts equal to 50% of the maximum annual debt service, as of the time of any such calculation. Monies held in the reserve accounts will be used only for the purposes established in the Trust Indenture.

	Reserve Balance	Reserve Requirement
Series 2019A	\$ 964,166	\$ 963,977

In August 2019, the District issued \$9,975,000 of Series 2019A-2 Capital Improvement Revenue Refunding Bonds, which retired the Series 2001A and Series 2002 Capital Improvement Revenue Bonds. The current refunding of the Series 2001A and Series 2002 Capital Improvement Revenue Bonds resulted in a deferred amount on refunding of \$321,420. As a result of this transaction, the District decreases its aggregate debt payment for the Series 2019A-2 Bonds by \$2,956,608 over the next 15 years and realized an economic gain of approximately \$1,746,830.

NOTE G – RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. These risks are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for each of the past three fiscal years.

Harbor Bay Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE H – LITIGATION

Seawall:

In a prior fiscal year, and pursuant to the settlement agreements reached during the litigation involving the community seawall, the District received \$8,325,000 in settlement funds. The District is in the process of designing a master stormwater and seawall stabilization project in order to stabilize the community seawall. More recently, the District's project engineer prepared such a project plan and estimated the cost of the project to be an additional \$18.4 million above and beyond the settlement amount ("Master Project"). Based on that estimate, and in April 2016, the District's Board of Supervisors levied and imposed a special assessment in the amount of \$19.8 million for the purpose of rehabilitating the community seawall and in anticipation of issuing future capital improvement revenue bonds in order to install the Master Project. On May 11, 2017, the Circuit Court of the Thirteenth Judicial Circuit for the State of Florida issued a final judgment in the case of Harbor Bay Community Development District v. the State of Florida et al., Case No. 2016-CA-4497, validating the District's levy of the special assessments and authority to issue the proposed bonds in an amount not-to-exceed \$19,800,000. During the current year, the District issued a \$2,000,000 special assessment for the purpose of rehabilitating designated emergency areas and assist in funding litigation costs. That said, the Board has not yet directed the issuance of the proposed bonds associated with the Master Project and is instead reviewing further repair options for the community seawall.

Certain property owners within the District have sued the District for declaratory judgment and injunctive relief challenging the Board's decisions regarding the preferred solution for repairing the District's seawall. The Plaintiffs have also brought a third claim for inverse condemnation in the alternative to their first two counts. The case was voluntarily dismissed without prejudice during the current fiscal year.

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

During the year, the District paid \$601,670 for landowner's upland retaining wall claims.



Berger, Toombs, Elam, Gaines & Frank

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Harbor Bay Community Development District, as of and for the year ended September 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated August 31, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

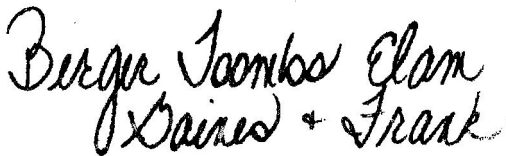
To the Board of Supervisors
Harbor Bay Community Development District

Compliance and Other Matters

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

Purpose of this Report

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



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

August 31, 2020



Berger, Toombs, Elam, Gaines & Frank

Certified Public Accountants PL

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MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the Harbor Bay Community Development District as of and for the year ended September 30, 2019, and have issued our report thereon dated August 31, 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 Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and our Independent Auditor's Report on an examination conducted in accordance with *AICPA Professionals Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated August 31, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Financial Condition and Management

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

Fort Pierce / Stuart

To the Board of Supervisors
Harbor Bay Community Development District

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for Harbor Bay Community Development District. It is management's responsibility to monitor the Harbor Bay Community Development District's financial condition; our financial condition assessment was based in part on the representations made by management and the review of the financial information provided by the same as of September 30, 2019.

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

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did note the following finding.

Finding 19-01

Finding: The actual expenditures and transfers in the General Fund exceeded the budget which is a violation of Section 189.016, Florida Statutes.

Response: Section 189.016, Florida Statutes, allows for Districts within 60 days following the end of the fiscal year – September 30, 2019 – to amend the prior year budget.

The District relied on the former district management company to forward a budget amendment within 60 days after the fiscal year end for the governing body to consider. If the amendment had been forwarded, it would have clearly demonstrated sound financial practices by the governing body. The District will work with their new District Manager to ensure this budget process oversight remains an anomaly and to ensure compliance with Florida Statutes in the future.

Finding 19-02

Finding: The District did not submit the completed annual financial report by June 30, 2020 as required by Section 218.32 (d) Florida Statutes and Chapter 10.558 (3) Rules of the Auditor General.

Management Response: The District changed management companies in November 2019 and the transition created logistical issues that delayed the completion of the annual financial report.



Berger, Toombs, Elam,
Gaines & Frank
Certified Public Accountants PL

To the Board of Supervisors
Harbor Bay Community Development District

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

August 31, 2020



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

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

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Harbor Bay Community Development District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Harbor Bay Community Development District's compliance with the specified requirements.

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

*Berger Toombs Elam
Gaines & Frank*

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

August 31, 2020

Fort Pierce / Stuart