

**Sunny Hills Units 12-15  
Dependent District**

**FINANCIAL STATEMENTS**

**September 30, 2019**



**CRI** CARR  
RIGGS &  
INGRAM

CPAs and Advisors

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September 30, 2019**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Supervisors  
Sunny Hills Units 12-15 Dependent District  
Washington County, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Sunny Hills Units 12-15 Dependent District (hereinafter referred to as "District"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

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

## Other Matters

### *Required Supplementary Information*

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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.

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

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida  
June 22, 2020



## **Management's Discussion And Analysis**

## **Sunny Hills Units 12-15 Dependent District Management’s Discussion and Analysis**

Our discussion and analysis of the Sunny Hills Units 12-15 Dependent District’s financial performance provides an overview of the District’s financial activities for the fiscal year ended September 30, 2019. Please read it in conjunction with the District’s financial statements, which begin on page 7.

### **FINANCIAL HIGHLIGHTS**

- At September 30, 2019, the assets of the District exceed its liabilities and deferred inflows of resources by approximately \$1.8 million.
- As of September 30, 2019, the District has temporarily stopped its infrastructure construction project. Its activities were minimal and were largely administrative in nature.

### **USING THE ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities on pages 7 – 8 provide information about the activities of the District as a whole and present a longer-term view of the District’s finances. Fund financial statements start on page 9. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the District’s operations in more detail than the government-wide statements by providing information about the District’s most significant funds.

#### ***Reporting the District as a Whole***

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

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

## Sunny Hills Units 12-15 Dependent District Management's Discussion and Analysis

### **Reporting the District's Most Significant Funds**

Our analysis of the District's major funds begins on page 5. The fund financial statements begin on page 9 and provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants. All of the District's funds are governmental fund-types.

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

### THE DISTRICT AS A WHOLE

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

<i>September 30,</i>	<b>2019</b>	<b>2018</b>	<b>Change</b>
<b>Assets</b>			
Current and other assets	\$ 5,087	\$ 4,052	\$ 1,035
Capital assets	1,770,313	1,770,313	-
<b>Total assets</b>	<b>\$ 1,775,400</b>	<b>\$ 1,774,365</b>	<b>\$ 1,035</b>
<b>Liabilities</b>			
Current liabilities	\$ 3,992	\$ 774	\$ 3,218
<b>Total liabilities</b>	<b>3,992</b>	<b>774</b>	<b>3,218</b>
<b>Deferred inflows of resources</b>			
Deferred revenue	3	2,995	(2,992)
<b>Total liabilities</b>	<b>3</b>	<b>2,995</b>	<b>(2,992)</b>
<b>Net position</b>			
Net investment in capital assets	1,770,313	1,770,313	-
Unrestricted	1,092	283	809
<b>Total net position</b>	<b>1,771,405</b>	<b>1,770,596</b>	<b>809</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 1,775,400</b>	<b>\$ 1,774,365</b>	<b>\$ 1,035</b>

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

## Sunny Hills Units 12-15 Dependent District Management's Discussion and Analysis

During the fiscal year ended September 30, 2019, total assets and liabilities increased over the prior year by approximately \$1,000 and \$3,200, respectively, while deferred inflows of resources decreased by approximately \$3,000. The variances in assets, liabilities, and deferred revenue are primarily due to timing of developer contributions and vendor payments.

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

<i>For the year ended September 30,</i>	<b>2019</b>	<b>2018</b>	<b>Change</b>
<b>Revenues:</b>			
Program revenues:			
Grants and contributions	\$ 26,057	\$ 21,108	\$ 4,949
Total revenues	26,057	21,108	4,949
<b>Expenses:</b>			
General government	25,248	21,107	4,141
Total expenses	25,248	21,107	4,141
Change in net position	809	1	808
Net position, beginning of year	1,770,596	1,770,595	1
Net position, end of year	\$ 1,771,405	\$ 1,770,596	\$ 809

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

Program revenues and expenses both increased approximately \$5,000 and \$4,000, respectively over the prior year. The increase in both program revenues and expenses are primarily due to timing in developer contributions and vendor invoices. The overall result was a \$809 increase in net position for fiscal year 2019.

### THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 9) reported a combined fund balance of \$1,092, which is an increase over last year's fund balance that totaled \$283. Significant transactions are discussed below.

- During the fiscal year ended September 30, 2019, the Developer contributed approximately \$26,100 to fund the operations of the District.



# Sunny Hills Units 12-15 Dependent District Management's Discussion and Analysis

## GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS

An operating budget was established by the District's governing board and approved by the Washington County, Florida Board of County Commissioners pursuant to the requirements of the Florida Statutes and Washington County Ordinance 2006-12. The budget to actual comparison for the General Fund, including the original budget and final adopted budget, is shown at page 19.

The District experienced an unfavorable variance in revenues and a favorable variance in expenditures as compared to the budget in the amount of approximately \$12,400 and \$13,300, respectively. The variance in expenditures occurred primarily due to the District anticipating operating expenditures for district counsel, travel and per diem, and website maintenance that were not incurred during the year. The variance in revenue is a result of the lower expenditure level.

## CAPITAL ASSETS

At September 30, 2019, the District had approximately \$1.8 million invested in capital assets. This amount did not change from the prior year.

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

<i>September 30,</i>	<b>2019</b>	<b>2018</b>	<b>Change</b>
Infrastructure under construction	\$ 1,770,313	\$ 1,770,313	\$ -
Total capital assets, not being depreciated	\$ 1,770,313	\$ 1,770,313	\$ -

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

## FUTURE FINANCIAL FACTORS

Sunny Hills Units 12-15 Dependent District is a dependent special district that operates under the provisions of Chapter 189, Florida Statutes. The District operates under an elected Board of Supervisors, which has the authority to establish policy and impose special assessments. For the fiscal year 2020, the Developer has agreed to fund the operations of the District.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. If you have questions about this report or need additional financial information, contact the Sunny Hills Units 12-15 Dependent District's management company at 12051 Corporate Blvd., Orlando, Florida 32817.



# **Basic Financial Statements**

**Sunny Hills Units 12-15 Dependent District  
Statement of Net Position**

<i>September 30,</i>	<b>2019</b>
	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 283
Due from developer	4,804
Capital assets:	
Not being depreciated	1,770,313
Total assets	1,775,400
<b>Liabilities</b>	
Accounts payable	3,992
Total liabilities	3,992
<b>Deferred inflows of resources</b>	
Deferred revenue	3
Total deferred inflows of resources	3
<b>Net position</b>	
Net investment in capital assets	1,770,313
Unrestricted	1,092
Total net position	\$ 1,771,405

*The accompanying notes are an integral part of these financial statements.*

**Sunny Hills Units 12-15 Dependent District  
Statement of Activities**

*For the year ended September 30,*

**2019**

Functions/Programs	Expenses	<u>Program Revenues</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
			Governmental Activities	
Primary government:				
Governmental activities:				
General government	\$ (25,248)	\$ 26,057	\$ 809	809
Total governmental activities	\$ (25,248)	\$ 26,057		809
Change in net position				809
Net position - beginning of the year				1,770,596
Net position - end of the year				\$ 1,771,405

*The accompanying notes are an integral part of these financial statements.*

**Sunny Hills Units 12-15 Dependent District  
Balance Sheet – Governmental Funds**

<i>September 30,</i>	<b>2019</b>
	<b>General Fund</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 283
Due from developer	4,804
<b>Total assets</b>	<b>\$ 5,087</b>
<b>Liabilities and fund balance</b>	
Liabilities	
Accounts payable	\$ 3,992
Total liabilities	3,992
Deferred inflows of resources	
Deferred revenue	3
Total deferred inflows of resources	3
Fund balance	
Unassigned	1,092
Total fund balance	1,092
<b>Total liabilities and fund balance</b>	<b>\$ 5,087</b>

*The accompanying notes are an integral part of these financial statements.*

**Sunny Hills Units 12-15 Dependent District  
 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of  
 Net Position**

<i>September 30,</i>	<b>2019</b>
Total fund balance, governmental funds	\$ 1,092
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund level statements.	1,770,313
Total net position - governmental activities	\$ 1,771,405

*The accompanying notes are an integral part of these financial statements.*

**Sunny Hills Units 12-15 Dependent District  
Statement of Revenues, Expenditures and Changes in Fund Balances –  
Governmental Funds**

*For the year ended September 30,*

**2019**

		<b>General Fund</b>
<b>Revenues</b>		
Developer contributions	\$	26,057
Total revenues		26,057
<b>Expenditures</b>		
Current:		
General government		25,248
Total expenditures		25,248
Excess revenues over expenditures		809
Fund balance, beginning of year		283
Fund balance, end of year	\$	1,092

*The accompanying notes are an integral part of these financial statements.*

## Sunny Hills Units 12-15 Dependent District Notes to the Financial Statements

### NOTE 1: NATURE OF ORGANIZATION

The Sunny Hills Units 12-15 Dependent District (the “District”) was established on August 14, 2006 pursuant to Chapter 189, Florida Statutes, by Washington County Ordinance 2006-12. The Act provides, among other things, the power to manage basic services for community development, power to borrow money and issue bonds, and the power to levy ad valorem taxes and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of a portion of the infrastructure necessary for community development within the District. The District is required to have their budget approved by Washington County, Florida on an annual basis. For the fiscal year ended September 30, 2019, the District did not engage in construction activities and its expenditures were largely administrative in nature.

The District is governed by a Board of Supervisors (“Board”), which is comprised of three members. The Supervisors are elected on an at large basis by the owners of the property within the District. The majority of the Board of Supervisors are currently affiliated with the Developer, Spring Ridge Development, LLC or its affiliates. The District is economically dependent on the Developer. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 189, Florida Statutes.

The Board has the final responsibility for:

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

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

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### ***Government-wide and Fund Financial Statements***

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



## Sunny Hills Units 12-15 Dependent District Notes to the Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

#### ***Measurement Focus, Basis of Accounting and Basis of Presentation***

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

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

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

The District reports the following major governmental fund:

General Fund – The General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in other funds.

## Sunny Hills Units 12-15 Dependent District Notes to the Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

#### ***Cash, Deposits and Investments***

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

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

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

#### ***Capital Assets***

Capital assets, which include primarily infrastructure assets (e.g. roads, sidewalks, water management systems and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial/individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost and estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value at the date of donation.

## Sunny Hills Units 12-15 Dependent District Notes to the Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant and equipment of the primary government will be depreciated using the straight-line method upon completion and being placed into service.

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

#### ***Deferred Outflows/Inflows of Resources***

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

In addition to liabilities, the statement of net position and/or balance sheet – governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At September 30, 2019, the District has \$3 of deferred inflows of resources relating to Developer contributions received in advance of when they will be recognized as revenue.

#### ***Fund Equity***

Net position in the government-wide financial statements is categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net assets related to infrastructure and property, plant and equipment. Restricted net position represents the net position restricted by outside parties. At September 30, 2019, the District did not have restricted net position.

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

## Sunny Hills Units 12-15 Dependent District Notes to the Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Estimates**

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

#### **Budgets**

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

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

- A. On or before each July 15, the District shall prepare a proposed budget for the ensuing fiscal year.
- B. No later than each August 1, the proposed budget shall be delivered to the County Manager.
- C. The budget for the District shall be approved and adopted by the Board of County Commissioners no later than September 30.
- D. All significant budget changes must be approved by the Board of County Commissioners.
- E. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

### NOTE 3: CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals and Conveyances	Ending Balance
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated</i>				
Land	\$ 1,770,313	\$ -	\$ -	\$ 1,770,313
Total capital assets, not being depreciated	1,770,313	-	-	1,770,313
Governmental activities capital assets, net	\$ 1,770,313	\$ -	\$ -	\$ 1,770,313

## **Sunny Hills Units 12-15 Dependent District Notes to the Financial Statements**

### **NOTE 3: CAPITAL ASSETS (Continued)**

The total project costs of the infrastructure improvements for the District have been estimated at \$96.5 million. The Developer has agreed to fund the ongoing construction of the District. See Note 4 – Related Party Transactions. The infrastructure will include roadways, utilities, potable water and stormwater management systems, and land improvements. Upon completion, certain improvements are to be maintained and operated by Washington County.

Because of current economic conditions, the District is not currently pursuing the implementation of the capital improvement program, and development activities are on hold. The District believes any erosion or loss of value related to the infrastructure under construction is temporary in nature until the development stoppage is ended; thus, no permanent impairment charge has been recorded.

### **NOTE 4: RELATED PARTY TRANSACTIONS**

A significant portion of the District's activity is dependent upon the continued involvement of the Developer, Spring Ridge Development, LLC, the loss of which could have a materially adverse effect on the District's operations. At September 30, 2019, the Developer owned a majority of the assessable property located within the District's boundaries.

The Developer has agreed to fund the General Fund operations of the District. In connection with that agreement, Developer contributions to the General Fund for the year ended September 30, 2019 totaled \$26,057. A total of \$4,804 is recorded as Due from developer on the accompanying Statement of Net Position and Balance Sheet – Governmental Funds.

### **NOTE 5: RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District maintains commercial insurance coverage to mitigate the risk of loss. Coverage may not extend to all situations. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in the previous three years, as there have been no claims.

### **NOTE 6: MANAGEMENT COMPANY**

The District has contracted with a management company to perform management advisory services, which include financial and accounting advisory services. Certain employees of the management company also serve as officers (Board appointed non-voting positions) of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, and other administrative costs.

## **Sunny Hills Units 12-15 Dependent District Notes to the Financial Statements**

### **NOTE 7: SUBSEQUENT EVENT**

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the District. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.



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

**Sunny Hills Units 12-15 Dependent District  
Budget to Actual Comparison Schedule – General Fund**

*For the year ended September 30,*

**2019**

	<b>Original and Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>Revenues</b>			
Developer contributions	\$ 38,500	\$ 26,057	\$ (12,443)
Total revenues	38,500	26,057	(12,443)
<b>Expenditures</b>			
General government	38,500	25,248	13,252
Total expenditures	38,500	25,248	13,252
Excess of revenues over expenditures	\$ -	\$ 809	\$ 809



**INDEPENDENT AUDITORS' 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  
Sunny Hills Units 12-15 Dependent District  
Washington County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Sunny Hills Units 12-15 Dependent District (hereinafter referred to as the "District"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report dated June 22, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free 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 result 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.

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

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida  
June 22, 2020

## MANAGEMENT LETTER

(850) 837-3141  
(850) 654-4619 (fax)  
CRlcpa.com

To the Board of Supervisors  
Sunny Hills Units 12-15 Dependent District  
Washington County, Florida

### Report on the Financial Statements

We have audited the financial statements of Sunny Hills Units 12-15 Dependent District ("District") as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated June 22, 2020.

### Auditors' Responsibility

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

### Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' 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 June 22, 2020, should be considered in conjunction with this management letter.

### Prior Audit Findings

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

### Official Title and Legal Authority

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

## **Financial Condition**

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to communicate whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification 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.

## **Special District Component Units**

Section 10.554(1)(i)5.d, Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined that all special district component units provided the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

## **Other 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 have any such findings.

## **Purpose of this Letter**

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

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

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida

June 22, 2020



Carr, Riggs & Ingram, LLC  
Certified Public Accountants  
500 Grand Boulevard  
Suite 210  
Miramar Beach, Florida 32550

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(850) 654-4619 (fax)  
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## INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Supervisors  
Sunny Hills Units 12-15 Dependent District  
Washington County, Florida

We have examined Sunny Hills Units 12-15 Dependent District's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2019. Management of the District is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements based on our examination.

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

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

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

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

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

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida  
June 22, 2020