

**Magic Reserve
Community Development District**

ANNUAL FINANCIAL REPORT

September 30, 2020

Magic Reserve Community Development District

ANNUAL FINANCIAL REPORT

September 30, 2020

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REPORT OF INDEPENDENT AUDITORS

To the Board of Supervisors
Magic Reserve Community Development District
Osceola County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Magic Reserve Community Development District as of and for the year ended September 30, 2020, 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 audits 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
Magic Reserve Community Development District

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, and each major fund of Magic Reserve Community Development District as of September 30, 2020, 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

Governmental accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by *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 inquires of management regarding 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 June 7, 2021 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 Magic Reserve Community Development District's internal control over financial reporting and compliance.



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

June 7, 2021

**Magic Reserve Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020**

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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.

**Magic Reserve Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund financial statements include a **balance sheet** and a **statement of revenues, expenditures and changes in fund balances** for all governmental funds. A **statement of revenues, expenditures, and changes in fund balances – budget and actual** is provided for the District's General Fund. *Fund financial statements* provide more detailed information about the District's activities. Individual funds are established by the District to track revenues that are restricted to certain uses or to comply with legal requirements.

The *government-wide financial statements* and the *fund financial statements* provide different pictures of the District. The *government-wide financial statements* provide an overall picture of the District's financial standing. These statements are comparable to private-sector companies and give a good understanding of the District's overall financial health and how the District paid for the various activities, or functions, provided by the District. All assets of the District, including buildings and improvements, and infrastructure are reported in the **statement of net position**. All liabilities, including principal outstanding on bonds are included. The **statement of activities** includes depreciation on all long-lived assets of the District, but transactions between the different functions of the District have been eliminated in order to avoid "doubling up" the revenues and expenses. The *fund financial statements* provide a picture of the major funds of the District. In the case of governmental activities, outlays for long lived assets are reported as expenditures and long-term liabilities, such as general obligation bonds, are not included in the fund financial statements. To provide a link from the *fund financial statements* to the *government-wide financial statements*, reconciliations are provided from the *fund financial statements* to the *government-wide financial statements*.

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

Financial Highlights

The following are the highlights of financial activity for the year ended September 30, 2020.

- ◆ The District's total assets were exceeded by total liabilities by \$316,580 (net position). Net investment in capital assets was \$(63,727) and restricted net position was \$180,131. Unrestricted net position was \$200,176.
- ◆ Governmental activities revenues totaled \$522,438 while governmental activities expenses and conveyance of assets \$405,770.

**Magic Reserve Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020**

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	
	2020	2019
Current assets	\$ 264,739	\$ 196,866
Restricted assets	632,751	608,078
Capital assets	<u>4,524,608</u>	<u>4,588,335</u>
Total Assets	<u>5,422,098</u>	<u>5,393,279</u>
Current liabilities	195,518	198,367
Non-current liabilities	<u>4,910,000</u>	<u>4,995,000</u>
Total Liabilities	<u>5,105,518</u>	<u>5,193,367</u>
Net Position		
Net investment in capital assets	(63,727)	(486,555)
Restricted	180,131	494,507
Unrestricted	<u>200,176</u>	<u>191,960</u>
Total Net Position	<u>\$ 316,580</u>	<u>\$ 199,912</u>

The increase in current assets and restricted assets was related to revenues exceeding expenditures at the fund level in the current year.

The decrease in capital assets is related to current year depreciation.

The decrease in non-current liabilities is primarily related to the principal payments made on bonds payable in the current year.

**Magic Reserve Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020**

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	
	2020	2019
Program Revenues		
Charges for services	\$ 521,894	\$ 520,571
General Revenues		
Investment earnings	544	1,613
Total Revenues	522,438	522,184
Expenses		
General government	51,125	54,674
Physical environment	102,524	-
Interest and other charges	252,121	259,735
Total Expenses	405,770	314,409
Change in Net Position	116,668	207,775
Net Position - Beginning of Year	199,912	(7,863)
Net Position - End of Year	\$ 316,580	\$ 199,912

The increase in physical environment is the result of placing capital assets in service and incurring the operating expenses to maintain them in the current year.

**Magic Reserve Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Capital Assets Activity

The following schedule provides a summary of the District's capital assets as of September 30, 2020 and 2019.

	Governmental Activities	
	2020	2019
Construction in progress	\$ -	\$ 4,588,335
Infrastructure	4,588,335	-
Accumulated depreciation	(63,727)	-
Total Capital Assets, net	\$ 4,524,608	\$ 4,588,335

In the current year, \$4,588,335 in construction in progress was transferred to infrastructure and depreciation was \$63,737.

General Fund Budgetary Highlights

The actual expenditures were less than budgeted amounts primarily because legal fee and irrigation expenditures were less than anticipated.

The September 30, 2020 budget was not amended.

Debt Management

Governmental Activities debt includes the following:

- In October 2016, the District issued \$5,160,000 Special Assessment Revenue Bonds, Series 2016. The bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. The balance outstanding at September 30, 2020 was \$4,995,000.

**Magic Reserve Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Economic Factors and Next Year's Budget

Magic Reserve Community Development District does not expect any economic factors to have any significant effect on the financial position or results of operations of the District in fiscal year 2021.

Request for Information

The financial report is designed to provide a general overview of Magic Reserve Community Development District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Magic Reserve Community Development District, PFM Consulting Group, LLC., 12051 Corporate Blvd., Orlando, Florida 32817.

Magic Reserve Community Development District
STATEMENT OF NET POSITION
September 30, 2020

	Governmental Activities
ASSETS	
Current Assets	
Cash	\$ 246,776
Accrued interest receivable	33
Due from other governments	3,588
Deposits	2,995
Prepaid expenses	11,347
Total Current Assets	264,739
Non-current Assets	
Restricted assets	
Investments, at fair value	632,751
Capital assets, being depreciated	
Infrastructure	4,588,335
Less: accumulated depreciation	(63,727)
Total Non-current Assets	5,157,359
Total Assets	5,422,098
LIABILITIES	
Current Liabilities	
Accounts payable and accrued expenses	4,317
Bonds payable	85,000
Accrued interest	106,201
Total Current Liabilities	195,518
Non-current liabilities	
Bonds payable, net	4,910,000
Total Liabilities	5,105,518
NET POSITION	
Net investment in capital assets	(63,727)
Restricted for debt service	180,131
Unrestricted	200,176
Total Net Position	\$ 316,580

See accompanying notes to financial statements.

Magic Reserve Community Development District
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenues and Changes in Net Position Governmental Activities
Governmental Activities			
General government	\$ (51,125)	\$ 88,538	\$ 37,413
Physical environment	(102,524)	67,189	(35,335)
Interest on long-term debt	(252,121)	366,167	114,046
Total Governmental Activities	\$ (405,770)	\$ 521,894	116,124
	General Revenues		
	Investment earnings		544
	Change in Net Position		116,668
	Net Position - October 1, 2019		199,912
	Net Position - September 30, 2020		\$ 316,580

See accompanying notes to financial statements.

**Magic Reserve Community Development District
BALANCE SHEET –
GOVERNMENTAL FUNDS
September 30, 2020**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash	\$ 246,776	\$ -	\$ -	\$ 246,776
Accrued interest receivable	30	3	-	33
Due from other governments	1,071	2,517	-	3,588
Prepaid expenses	11,347	-	-	11,347
Deposits	2,995	-	-	2,995
Restricted assets				
Investments, at fair value	-	627,637	5,114	632,751
Total Assets	\$ 262,219	\$ 630,157	\$ 5,114	\$ 897,490
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued expenses	\$ 4,317	\$ -	\$ -	\$ 4,317
Fund Balances				
Nonspendable - deposits/prepays	14,342	-	-	14,342
Restricted for debt service	-	630,157	-	630,157
Restricted for capital projects	-	-	5,114	5,114
Unassigned	243,560	-	-	243,560
Total Fund Balances	257,902	630,157	5,114	893,173
Total Liabilities and Fund Balances	\$ 262,219	\$ 630,157	\$ 5,114	\$ 897,490

See accompanying notes to financial statements.

**Magic Reserve Community Development District
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
September 30, 2020**

Total Governmental Fund Balances	\$	893,173
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets being depreciated, infrastructure, \$4,588,335, net of accumulated depreciation, \$(63,727), used in governmental activities are not current financial resources and therefore, are not reported at the fund level.		4,524,608
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported at the fund level.		(4,995,000)
Accrued interest expense for long-term debt is not a current financial use and therefore, is not reported at the fund level.		<u>(106,201)</u>
Net Position of Governmental Activities	\$	<u><u>316,580</u></u>

See accompanying notes to financial statements.

Magic Reserve Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
For the Year Ended September 30, 2020

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Special assessments	\$ 155,727	\$ 366,167	\$ -	\$ 521,894
Interest income	137	403	4	544
Total Revenues	<u>155,864</u>	<u>366,570</u>	<u>4</u>	<u>522,438</u>
EXPENDITURES				
Current				
General government	51,125	-	-	51,125
Physical environment	38,797	-	-	38,797
Debt service				
Principal	-	85,000	-	85,000
Interest	-	256,794	-	256,794
Total Expenditures	<u>89,922</u>	<u>341,794</u>	<u>-</u>	<u>431,716</u>
Net Change in Fund Balances	65,942	24,776	4	90,722
Fund Balances - October 1, 2019	<u>191,960</u>	<u>605,381</u>	<u>5,110</u>	<u>802,451</u>
Fund Balances - September 30, 2020	<u>\$ 257,902</u>	<u>\$ 630,157</u>	<u>\$ 5,114</u>	<u>\$ 893,173</u>

See accompanying notes to financial statements.

Magic Reserve 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, 2020

Net Change in Fund Balances - Total Governmental Funds	\$	90,722
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. This is the amount of depreciation in the current period.		(63,727)
Repayments of bond principal are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Position.		85,000
In the Statement of Activities, interest is accrued on outstanding bonds; whereas in governmental funds, interest expenditures are reported when due. This is the net amount between the prior year and current year accruals.		<u>4,673</u>
Change in Net Position of Governmental Activities	\$	<u><u>116,668</u></u>

See accompanying notes to financial statements.

Magic Reserve Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND
For the Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Special assessments	\$ 145,650	\$ 145,650	\$ 155,727	\$ 10,077
Interest income	-	-	137	137
Total Revenues	<u>145,650</u>	<u>145,650</u>	<u>155,864</u>	<u>10,214</u>
Expenditures				
Current				
General government	88,901	88,901	51,125	37,776
Physical environment	56,749	56,749	38,797	17,952
Total Expenditures	<u>145,650</u>	<u>145,650</u>	<u>89,922</u>	<u>55,728</u>
Net Change in Fund Balances	-	-	65,942	65,942
Fund Balances - October 1, 2019	<u>-</u>	<u>-</u>	<u>191,960</u>	<u>191,960</u>
Fund Balances - September 30, 2020	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 257,902</u></u>	<u><u>\$ 257,902</u></u>

See accompanying notes to financial statements.

Magic Reserve Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

The District was established on March 23, 2016, pursuant to the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes, and was adopted as Osceola County Ordinance 2016-28, as a Community Development District. The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of the infrastructure necessary for community development within its jurisdiction. The District is authorized to issue bonds for the purpose, among others, of financing, funding, planning, establishing, acquiring, constructing district roads, landscaping, and other basic infrastructure projects within or outside the boundaries of the Magic Reserve Community Development District. The District is governed by a Board of Supervisors who are elected by the owners property within the District. The District operates within the criteria established by Chapter 190.

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

Based upon the application of the above-mentioned criteria as set forth by the Governmental Accounting Standards Board, the District has identified one component unit.

Magic Reserve Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Government-wide financial statements report all non-fiduciary information about the reporting government as a whole. These statements include all the governmental activities of the primary government. The effect of interfund activity has been removed from these statements.

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

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

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

b. Fund Financial Statements

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

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

Magic Reserve Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds

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

The District has various policies governing the fund balance classifications.

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

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

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

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

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

Magic Reserve Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collected within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of “available spendable resources”.

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

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

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

Debt service expenditures are recorded only when payment is due.

3. Basis of Presentation

a. Governmental Major Funds

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

Magic Reserve Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Basis of Presentation (Continued)

a. Governmental Major Funds (Continued)

Debt Service Funds – Accounts for debt service requirements to retire the special assessment bonds which were used to finance the construction of District infrastructure improvements.

Capital Projects Funds – Accounts 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 improvements, and non-current governmental liabilities, such as general obligation bonds and due to developer be reported in the governmental activities column in the government-wide Statement of Net Position.

4. Assets, Liabilities, and Net Position or Equity

a. Cash and Investments

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

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

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

Magic Reserve Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

b. Restricted Net Position

Certain net position of the District is classified as restricted assets 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 assets, qualified expenses are considered to be paid first from restricted net position and then from unrestricted net position.

c. Capital Assets

Capital assets, which include construction in progress, are reported in the 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.

d. Budgets

Budgets are prepared and adopted after public hearings for the governmental funds, pursuant to Chapter 190, Florida Statutes. The District utilizes the same basis of accounting for budgets as it does for revenues and expenditures in its various funds. The legal level of budgetary control is at the fund level. All budgeted appropriations lapse at year end. 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

Magic Reserve Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

“Total fund balances” of the District’s governmental funds, \$893,173, differs from “Net Position” of governmental activities, \$316,580, reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund balance sheet. The effect of the differences is illustrated below.

Capital related items

When capital assets (land, buildings and improvements and infrastructure that are to be used in governmental activities) are purchased or constructed, the cost of those assets is reported as expenditures in governmental funds. However, the Statement of Net Position included those capital assets among the assets of the District as a whole.

Infrastructure	\$ 4,588,335
Accumulated depreciation	(63,727)
Total	<u>\$ 4,524,608</u>

Long-term debt transactions

Governmental Activities long-term liabilities are not due and payable in the current period and are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Position. Balances at September 30, 2020 were:

Bonds payable	<u>\$ (4,995,000)</u>
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Accrued liabilities in the Statement of Net Position differ from the amount reported in governmental funds due to the accrued interest on bonds.

Accrued interest	<u>\$ (106,201)</u>
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Magic Reserve Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

2. Explanation of Differences Between the Governmental Fund Operating Statements and the Statement of Activities

The “net change in fund balances” for government funds, \$90,722, differs from the “change in net position” for governmental activities, \$116,668, reported in the Statement of Activities. The differences arise primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated as follows.

Capital related items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the costs of those assets are capitalized and the cost is allocated over their estimated useful lives as depreciation. This is the current year capital outlay.

Accumulated depreciation	\$ <u>(63,727)</u>
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Long-term debt transactions

Proceeds from the issuance of debt are recognized as an other financing source at the fund level and increase long-term debt at the government-wide level. Repayments of bond principal are reported as an expenditure in the governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used.

Bond principal payments	\$ <u>85,000</u>
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Accrued interest

Interest is reported at the fund level when paid, however at the government-wide level interest is reported as incurred. This is the change in accrued interest in the current year.

Accrued interest	\$ <u>4,673</u>
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**Magic Reserve Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020**

NOTE C – 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; however, they follow the provisions of Chapter 280, Florida Statutes regarding deposits and investments. As of September 30, 2020, the District's bank balance was \$254,345 and the carrying value was \$246,776. 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, 2020, the District had the following investments and maturities:

Investment	Maturities	Fair Value
U S Bank Money Market	N/A	\$ 632,751

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 uses the best information available under the circumstances, which includes the District's own data in measuring unobservable inputs.

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

Magic Reserve Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE C – CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk

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

Credit Risk

The District's investments in U S Bank Money Market Accounts are limited by state statutory requirements and bond compliance. The District has no investment policy that would further limit its investment choices. The District's investment in U S Bank Money Market Account was not rated by any nationally recognized rating agency.

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one fund. The investments in U S Bank Money Market Accounts are 100% of the Districts total investments.

The types of deposits and investments and their level of risk exposure as of September 30, 2020 were typical of these items during the fiscal year then ended. The District considers any decline in fair value for certain investments to be temporary.

NOTE D – RELATED PARTIES

The Board of Supervisors is comprised entirely of individuals affiliated with the project.

**Magic Reserve Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020**

NOTE E – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020 was as follows:

	Balance October 1, 2019	Additions	Deletions	Balance September 30, 2020
<u>Governmental activities:</u>				
Capital assets				
Construction in progress	\$ 4,588,335	\$ -	\$ (4,588,335)	\$ -
Infrastructure	-	4,588,335	-	4,588,335
Accumulated depreciation	-	(63,727)	-	(63,727)
Total Capital Assets	<u>\$ 4,588,335</u>	<u>\$ 4,524,608</u>	<u>\$ (4,588,335)</u>	<u>\$ 4,524,608</u>

Depreciation of \$63,727 was charged to physical environment.

The infrastructure intended to serve the District has been estimated at a total cost of approximately \$10,255,693 ("2016 Project"). The infrastructure will include a master roadway system, a water distribution system, a reclaimed water distribution system, a wastewater collection system, an electrical distribution system, landscaping, hardscaping, signage, recreation facilities, conservation areas, and a stormwater management system. All water and wastewater infrastructure will be constructed by the Magic Reserve CDD, and subsequently dedicated to Toho Water Authority for perpetual operations and maintenance. The Developer has entered into a Completion Agreement that will obligate the Developer to complete the portion of the project not funded from bond proceeds.

NOTE F – LONG-TERM DEBT

The following is a summary of activity in the long-term debt account group of the District for the year ended September 30, 2020:

Long-term debt at October 1, 2019	\$ 5,080,000
Principal payments	<u>(85,000)</u>
Long-term debt at September 30, 2020	<u>\$ 4,995,000</u>

**Magic Reserve Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020**

NOTE F – LONG-TERM DEBT (CONTINUED)

Long-term debt is comprised of the following:

Special Assessment Bonds

\$5,610,000 Series 2016 Special Assessment Revenue Bonds due in annual principal installments beginning in November 2018 through November 2047. Interest from 4.50% to 5.25% due May 1 and November 1 starting in November 2017.

\$ 4,995,000

The annual requirements to amortize the principal and interest of bonded debt outstanding as of September 30, 2020 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 85,000	\$ 252,969	\$ 337,969
2022	90,000	249,031	339,031
2023	95,000	244,869	339,869
2024	100,000	240,481	340,481
2025	105,000	235,869	340,869
2026-2030	600,000	1,098,828	1,698,828
2031-2035	755,000	927,922	1,682,922
2036-2040	975,000	707,028	1,682,028
2041-2045	1,260,000	416,588	1,676,588
2046-2048	930,000	74,812	1,004,812
Totals	<u>\$ 4,995,000</u>	<u>\$ 4,448,397</u>	<u>\$ 9,443,397</u>

Magic Reserve Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE F – LONG-TERM DEBT (CONTINUED)

Significant Bond Provisions

The District levies special assessments pursuant to Section 190.022, Florida Statutes and the assessment rolls are approved by resolutions of the District Board. The collections are to be strictly accounted for and applied to the debt service of the bond series for which they were levied. The District covenants to certify for collection special assessments in annual amounts adequate to provide for payment of principal and interest on the bonds. Payment of principal and interest is dependent on the money available in the debt service fund and the District's ability to collect special assessments levied.

The bonds are subject to redemption at the option of the District prior to their maturity, in whole or in part, at any time, on or after November 1, 2027 at a redemption price equal to the principal amount of the Series 2016 Bonds to be redeemed, together with accrued interest to the date of redemption. The bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture.

The bond resolution and the trust indenture provide for the establishment of certain accounts. The accounts include, among others, a construction, revenue, redemption, reserve, interest and prepayment account and are maintained by a trustee.

The bond indenture provides for Debt Service Reserve Funds, which shall be held by the Trustee separate and apart from all other funds. The following is a schedule of reserve requirements and balances in the reserve accounts at September 30, 2020:

	Reserve Balance	Reserve Requirement
Series 2016 Special Assessments Revenue Bonds	\$ 343,825	\$ 343,825

NOTE G – 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. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. The District has not filed any insurance claims in any of the previous three fiscal years.

Magic Reserve Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE H – ECONOMIC DEPENDENCY

The Developer owns a portion of land within the District; therefore, assessment revenues in the General and Debt Service Funds include the assessments levied on those lots owned by the Developer. The District's activities are dependent on the continued involvement of the Developer, the loss of which could have a material adverse effect on the District's operations.



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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
Magic Reserve Community Development District
Osceola 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 Magic Reserve Community Development District, as of and for the year ended September 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated June 7, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Magic Reserve Community Development District's internal control over financial reporting (internal control) as a basis for designing 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 Magic Reserve Community Development District's internal control. Accordingly, we do not express an opinion on the effectiveness of Magic Reserve Community Development 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

To the Board of Supervisors
Magic Reserve Community Development District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Magic Reserve 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. Certain findings are addressed in the accompanying management letter.

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

June 7, 2021



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MANAGEMENT LETTER

To the Board of Supervisors
Magic Reserve Community Development District
Osceola County , Florida

Report on the Financial Statements

We have audited the financial statements of the Magic Reserve Community Development District as of and for the year ended September 30, 2020, and have issued our report thereon dated June 7, 2021.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and our Independent Auditor's Report on an examination conducted in accordance with AICPA Professionals Standards, AT-C Section 315 regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in that report, which is dated June 7, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Financial Condition

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

To the Board of Supervisors
Magic Reserve Community Development District

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial conditions assessment procedures as of September 30, 2018 for the New Port-Tampa Bay Community Development District. It is management's responsibility to monitor the Magic Reserve 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.

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

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we noted no such findings.

Purpose of this Letter

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

*Berger Toombs Elam
Gaines & Frank*

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

June 7, 2021



**Berger, Toombs, Elam,
Gaines & Frank**

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

To the Board of Supervisors
Magic Reserve Community Development District
Osceola County, Florida

We have examined Magic Reserve Community Development District's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2020. Management is responsible for Magic Reserve Community Development District's compliance with those requirements. Our responsibility is to express an opinion on Magic Reserve 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 Magic Reserve 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 Magic Reserve Community Development District's compliance with the specified requirements.

In our opinion, Magic Reserve Community Development District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2020.

*Berger Toombs Elam
Gaines & Frank*

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

June 7, 2021



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June 22, 2021

Board of Supervisors
Magic Reserve Community Development District
Osceola County, Florida

This letter serves as an addendum to the "Management Letter" dated June 7, 2021 and covering the District's fiscal year ended September 30, 2020.

Paragraph 5 of the Financial Condition section is hereby retracted in its entirety from the above referenced letter.

Paragraph 5 of the Financial Condition section is now as follows:

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

*Berger Toombs Elam
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Certified Public Accountants PL
Fort Pierce, Florida

Fort Pierce / Stuart