

**Southern Hills Plantation I Community
Development District**

ANNUAL FINANCIAL REPORT

September 30, 2020

Southern Hills Plantation I Community Development District

ANNUAL FINANCIAL REPORT

September 30, 2020

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REPORT OF INDEPENDENT AUDITOR'S

To the Board of Supervisors
Southern Hills Plantation I Community Development District
Hernando County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Southern Hills Plantation I Community Development District (the "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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Accounting Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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To the Board of Supervisors
Southern Hills Plantation I 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 Southern Hills Plantation I 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

Management's Discussion and Analysis

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 21, 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 Southern Hills Plantation I Community Development District's internal control over financial reporting and compliance.



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

June 21, 2021

**Southern Hills Plantation I Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020**

Management's discussion and analysis of Southern Hills Plantation I 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 and debt service.

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.

**Southern Hills Plantation I 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 capital assets 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 exceeded total liabilities by \$4,997,128 (net position). Net investment in capital assets for the District was \$6,561,681. Unrestricted net position for Governmental Activities was (\$2,293,534). Restricted net position was \$728,981.
- ◆ Governmental activities revenues totaled \$1,527,656 while governmental activities expenses totaled \$1,571,882.

**Southern Hills Plantation I 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	\$ 1,125,957	\$ 811,044
Restricted assets	855,814	849,570
Capital assets	12,493,749	13,308,700
Total Assets	14,475,520	14,969,314
Current liabilities	673,392	652,960
Non-current liabilities	8,805,000	9,275,000
Total Liabilities	9,478,392	9,927,960
Net Position		
Net investment in capital assets	6,561,681	7,202,136
Restricted	728,981	402,334
Unrestricted	(2,293,534)	(2,563,116)
Total Net Position	\$ 4,997,128	\$ 5,041,354

The increase in current assets is related to the increase in special assessments receivable in the current year.

The decrease in capital assets is due to depreciation in the current year.

The decrease in non-current liabilities is primarily related to current year principal payments.

The decrease in net investment in capital assets is primarily due to depreciation in excess of principal payments on long-term debt in the current year.

The decrease in total net position is the result of expenses in excess of revenues in the current year.

**Southern Hills Plantation I 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	\$ 1,513,362	\$ 1,336,571
Capital contributions	-	375,984
General Revenues		
Miscellaneous revenues	7,500	-
Investment earnings	6,794	19,979
Total Revenues	<u>1,527,656</u>	<u>1,732,534</u>
Expenses		
General government	84,119	93,425
Physical environment	939,034	951,503
Interest and other charges	548,729	571,735
Total Expenses	<u>1,571,882</u>	<u>1,616,663</u>
Change in Net Position	(44,226)	115,871
Net Position - Beginning of Year	<u>5,041,354</u>	<u>4,925,483</u>
Net Position - End of Year	<u>\$ 4,997,128</u>	<u>\$ 5,041,354</u>

The decrease in capital contributions is related to a pump installation paid for by the Developer in the prior year.

The increase in charges for services is related to a budgeted increase in special assessments in the current year.

**Southern Hills Plantation I 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
Land and improvements	\$ 1,090,599	\$ 1,090,599
Infrastructure	13,416,171	13,416,171
Improvements other than buildings	19,988	19,988
Equipment	375,984	375,984
Less: accumulated depreciation	(2,408,993)	(1,594,042)
 Governmental Activities Capital Assets	 \$ 12,493,749	 \$ 13,308,700

During the year, depreciation was \$814,951.

General Fund Budgetary Highlights

The final budget was more than actual expenditures because there were less lake/pond mowing, landscape expenditures than were anticipated.

The September 30, 2020 budget was not amended.

Debt Management

Governmental Activities debt includes the following:

- ◆ In March 2011, the District issued \$7,010,000 Series 2011 A-1 and \$5,095,000 Series 2011 A-2 Capital Improvement Revenue Bonds. These bonds were issued to finance and refinance the acquisition and construction of certain infrastructure improvements within the District. The balance outstanding at September 30, 2020 was \$9,220,000.

**Southern Hills Plantation I 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

The District does not anticipate any major projects or significant changes to its infrastructure maintenance program for the subsequent fiscal year. In addition, it is anticipated that the general operations of the District will remain fairly constant. The District was informed that the 2021 debt service assessment would not be paid and the District did not make the May 2021 required principal payment.

Request for Information

The financial report is designed to provide a general overview of Southern Hills Plantation I 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 Southern Hills Plantation I Community Development District's Finance Department at 2300 Glades Road, Suite 410W, Boca Raton, Florida 33431.

Southern Hills Plantation I Community Development District
STATEMENT OF NET POSITION
September 30, 2020

	Governmental Activities
ASSETS	
Current Assets	
Cash	\$ 21,133
Investments	91
Assessments receivable	674,620
Due from other governments	409,283
Prepaid expenses	17,911
Deposits	2,919
Total Current Assets	1,125,957
Non-Current Assets	
Restricted Assets	
Investments - debt service	855,814
Capital Assets, Not Being Depreciated	
Land and improvements	1,090,599
Capital Assets, Being Depreciated	
Infrastructure	13,416,171
Improvements other than buildings	19,988
Equipment	375,984
Less: accumulated depreciation	(2,408,993)
Total Non-Current Assets	13,349,563
Total Assets	14,475,520
 LIABILITIES	
Current Liabilities	
Accounts payable and accrued expenses	35,538
Due to developer	37
Bonds payable	415,000
Accrued interest	222,817
Total Current Liabilities	673,392
Non-Current Liabilities	
Bonds payable	8,805,000
Total Liabilities	9,478,392
 NET POSITION	
Net investment in capital assets	6,561,681
Restricted for debt service	728,981
Unrestricted	(2,293,534)
Total Net Position	\$ 4,997,128

See accompanying notes to financial statements.

Southern Hills Plantation I Community Development District
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expenses) Revenues and Changes in Net Position Governmental Activities
Governmental Activities			
General government	\$ (84,119)	\$ 107,249	\$ 23,130
Physical environment	(939,034)	210,304	(728,730)
Interest and other charges	(548,729)	1,195,809	647,080
Total Governmental Activities	\$ (1,571,882)	\$ 1,513,362	(58,520)
	General Revenues		
			7,500
			6,794
			14,294
		Change in Net Position	(44,226)
		Net Position - October 1, 2019	5,041,354
		Net Position - September 30, 2020	\$ 4,997,128

See accompanying notes to financial statements.

Southern Hills Plantation I Community Development District
BALANCE SHEET –
GOVERNMENTAL FUNDS
September 30, 2020

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash	\$ 21,133	\$ -	\$ 21,133
Investments	91	-	91
Assessments receivable	88,870	585,750	674,620
Due from other governments	402,678	6,605	409,283
Prepaid expenses	17,911	-	17,911
Deposits	2,919	-	2,919
Restricted assets			
Investments, at fair value	-	855,814	855,814
Total Assets	\$ 533,602	\$ 1,448,169	\$ 1,981,771
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenses	\$ 35,538	\$ -	\$ 35,538
Due to developer	37	-	37
Total Liabilities	35,575	-	35,575
 DEFERRED INFLOWS OF RESOURCES			
Deferred revenues	88,556	557,948	646,504
 FUND BALANCES			
Nonspendable - prepaids/deposits	20,830	-	20,830
Restricted:			
Debt service	-	890,221	890,221
Unassigned	388,641	-	388,641
Total Fund Balances	409,471	890,221	1,299,692
Total Liabilities and Fund Balances	\$ 533,602	\$ 1,448,169	\$ 1,981,771

See accompanying notes to financial statements.

**Southern Hills Plantation I Community Development District
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
September 30, 2020**

Total Governmental Fund Balances	\$ 1,299,692
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, land and improvements (\$1,090,599), infrastructure (\$13,416,171), improvements other than buildings (\$19,988), and equipment (\$375,984) net of accumulated depreciation (\$(2,408,993)), used in governmental activities are not current financial resources and; therefore, are not reported at the fund level.	12,493,749
Long-term liabilities, bonds payable, are not due and payable in the current period and; therefore, are not reported at the governmental fund level.	(9,220,000)
Revenues that are unavailable at year end are recognized as a deferred inflow of resources at the fund level. Revenues are recognized when earned at the government-wide level.	646,504
Accrued interest expense for long-term debt is not a current financial use and; therefore, is not reported at the governmental fund level.	<u>(222,817)</u>
Net Position of Governmental Activities	<u><u>\$ 4,997,128</u></u>

See accompanying notes to financial statements.

Southern Hills Plantation I Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
For the Year Ended September 30, 2020

	General	Debt Service	Total Governmental Funds
Revenues			
Special assessments	\$ 298,620	\$ 1,009,827	\$ 1,308,447
Miscellaneous revenues	-	7,500	7,500
Investment income	-	6,794	6,794
	<u>298,620</u>	<u>1,024,121</u>	<u>1,322,741</u>
Total Revenues			
Expenditures			
Current			
General government	63,279	20,840	84,119
Physical environment	124,083	-	124,083
Debt service			
Principal	-	430,000	430,000
Interest	-	559,120	559,120
	<u>187,362</u>	<u>1,009,960</u>	<u>1,197,322</u>
Total Expenditures			
Net change in fund balances	<u>111,258</u>	<u>14,161</u>	<u>125,419</u>
Fund Balances - October 1, 2019	<u>298,213</u>	<u>876,060</u>	<u>1,174,273</u>
Fund Balances - September 30, 2020	<u><u>\$ 409,471</u></u>	<u><u>\$ 890,221</u></u>	<u><u>\$ 1,299,692</u></u>

See accompanying notes to financial statements.

Southern Hills Plantation I 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	\$	125,419
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.		(814,951)
Repayments of bond principal are expenditures in the governmental funds statements, but the repayments reduce long-term liabilities in the Statement of Net Position.		430,000
Revenues that are unavailable at year end are recognized as a deferred inflow of resources at the fund level. Revenues are recognized when earned at the government-wide level.		204,915
In the Statement of Activities, interest is accrued on outstanding bonds; whereas at the governmental funds level, interest expenditures are reported when due. This is the change in accrued interest in the current period.		10,391
Change in Net Position of Governmental Activities	\$	(44,226)

See accompanying notes to financial statements.

**Southern Hills Plantation I Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND
For the Year Ended September 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
Special assessments	\$ 281,521	\$ 281,521	\$ 298,620	\$ 17,099
Investment income	250	250	-	(250)
	<u>281,771</u>	<u>281,771</u>	<u>298,620</u>	<u>16,849</u>
Total Revenues				
Expenditures				
Current				
General government	80,581	80,581	63,279	17,302
Physical environment	230,200	230,200	124,083	106,117
	<u>310,781</u>	<u>310,781</u>	<u>187,362</u>	<u>123,419</u>
Total Expenditures				
Net Change in Fund Balances	(29,010)	(29,010)	111,258	140,268
Fund Balances - October 1, 2019	<u>382,357</u>	<u>382,357</u>	<u>298,213</u>	<u>(84,144)</u>
Fund Balances - September 30, 2020	<u>\$ 353,347</u>	<u>\$ 353,347</u>	<u>\$ 409,471</u>	<u>\$ 56,124</u>

See accompanying notes to financial statements.

Southern Hills Plantation I 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 August 2, 2004, pursuant to the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes, as amended (the "Act"), by Ordinance #676 of the City of Brooksville, Florida, as a Community Development District. The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of the infrastructure necessary for community development within its jurisdiction. The District is authorized to issue bonds for the purpose, among others, of financing, funding, planning, establishing, acquiring, constructing district roads, landscaping, and other basic infrastructure projects within or outside the boundaries of the Southern Hills Plantation I Community Development District. The District is governed by a Board of Supervisors who are elected to four-year terms. Three of the Supervisors are employed by the Developer or a related entity. The District operates within the criteria established by Chapter 190.

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

Based upon the application of the above-mentioned criteria as set forth in Governmental Accounting Standards Board Statement Number 61, The Financial Reporting Entity, the District has identified no component units.

2. Measurement Focus and Basis of Accounting

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

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

Southern Hills Plantation I 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)

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 special assessments 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.

Southern Hills Plantation I 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.

Southern Hills Plantation I 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.

Southern Hills Plantation I 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 Fund – Accounts for debt service requirements to retire the special assessment bonds which were used to finance the construction of District infrastructure improvements. The bonds are secured by a first lien on and pledge of the Pledged Revenues.

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, Deferred Inflows of Resources 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.

Southern Hills Plantation I Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assets, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

a. Cash and Investments (Continued)

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

b. Restricted Assets

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 land and improvements, infrastructure, improvements other than buildings and equipment 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 one year. The valuation basis for all assets is historical cost.

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

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

Depreciation of capital assets is computed and recorded by utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets range from 15 to 40 years.

d. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until then. The District only has one item that qualifies for reporting in this category. Deferred revenues are reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that amounts become available.

**Southern Hills Plantation I Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**4. Assets, Liabilities, Deferred Inflows of Inflows and Net Position or Equity
(Continued)**

e. Budgets

Budgets are prepared and adopted after public hearings for the governmental funds, pursuant to Chapter 190, Florida Statutes. The District utilizes the same basis of accounting for budgets as it does for revenues and expenditures in its various funds. 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.

NOTE B – CASH AND INVESTMENTS

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

Custodial Credit Risk

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 \$67,883 and the carrying value was \$21,133. 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:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
First American Treasury Obligation Fund	46 Days *	\$ 855,814
State Board of Administration Florida Prime Fund	48 Days *	91
Total		<u>\$ 855,905</u>

* Weighted average maturity

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

Southern Hills Plantation I Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE B – CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

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

Based on the criteria in the preceding paragraph, the investment in First American Treasury Obligation Fund is a Level 1 asset.

Investments

The District's investment policy allows management to invest funds in investments permitted under Section 218.415, Florida Statutes. Among other investments, the policy allows the District to invest in the State Board of Administration Florida Prime.

Cash placed with the State Board of Administration represents the District's participation in the Local Government Surplus Trust Funds Investment Pool and is reported at fair value. As a pool participant the District invests in pools of investments in which shares are owned in the pool rather than the underlying investments.

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 treasury funds and government loans are limited by state statutory requirements and bond compliance. The District has no investment policy that would further limit its investment choices. As of September 30, 2020, the District's investments in First American Treasury Obligation Fund were rated AAAM by Standard & Poor's. As of September 30, 2020, the District's investment in State Board of Administration Florida Prime Fund was rated AAAM by Standard & Poor's.

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one fund. The investments in the State Board of Administration Florida Prime are less than 1% of the District's total investments. The investments in First American Treasury Obligation Fund are nearly 100% of the District's total investments.

Southern Hills Plantation I Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE B – CASH AND INVESTMENTS (CONTINUED)

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 C – RELATED PARTY TRANSACTIONS

Three of the voting members of the Board of Supervisors are employed by the Developer or a related entity. Additionally, the District has \$400,761 in special assessment receivables from the Developer and other related parties from prior and current years that have not been collected.

The District entered into an Inter-local Agreement which allocates costs between the District, Southern Hills Plantation II Community Development District and Southern Hills Plantation III Community Development District. The District pays certain common area expenses associated with the development and is reimbursed by the other Districts for their pro-rata share of these expenses. The amount receivable from the two Districts at September 30, 2020 was \$409,283.

NOTE D – CAPITAL ASSETS

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

	Balance October 1, 2019	Additions	Disposals	Balance September 30, 2020
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land and land improvements	\$ 1,090,599	\$ -	\$ -	\$ 1,090,599
Capital assets, being depreciated:				
Infrastructure	13,416,171	-	-	13,416,171
Improvements	19,988	-	-	19,988
Equipment	375,984	-	-	375,984
Total Capital Assets, Being Depreciated	<u>13,812,143</u>	<u>-</u>	<u>-</u>	<u>13,812,143</u>
Less accumulated depreciation for:				
Infrastructure	(1,578,176)	(789,088)	-	(2,367,264)
Improvements	(9,600)	(799)	-	(10,399)
Equipment	(6,266)	(25,064)	-	(31,330)
Total Accumulated Depreciation	<u>(1,594,042)</u>	<u>(814,951)</u>	<u>-</u>	<u>(2,408,993)</u>
Total Capital Assets Depreciated, Net	<u>12,218,101</u>	<u>(814,951)</u>	<u>-</u>	<u>11,403,150</u>
Governmental Activities Capital Assets	<u>\$ 13,308,700</u>	<u>\$ (814,951)</u>	<u>\$ -</u>	<u>\$ 12,493,749</u>

Current year depreciation of \$814,951 was charged to physical environment.

Southern Hills Plantation I Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE E – 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	\$ 9,650,000
Principal payments	<u>(430,000)</u>
Long-term debt at September 30, 2020	<u>\$ 9,220,000</u>

Long-term debt is comprised of the following:

Capital Improvement Revenue Bonds

\$7,010,000 Series 2011A-1 Bonds, interest at 5.8%, maturing May 1, 2035, payable on May 1 and November 1; collateralized by the pledged revenues of special assessments levied against the benefited property owners. \$ 5,310,000

\$5,095,000 Series 2011A-2 Bonds, interest at 5.8%, maturing May 1, 2035, payable on May 1 and November 1, collateralized by the pledged revenues of special assessments levied against benefitted property owners. 3,910,000

Bonds Payable \$ 9,220,000

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

Year Ending September 30,	Principal	Interest	Total
2021	\$ 415,000	\$ 534,325	\$ 949,325
2022	420,000	510,690	930,690
2023	445,000	486,330	931,330
2024	470,000	460,520	930,520
2025	495,000	433,260	928,260
2026-2030	2,985,000	1,696,500	4,681,500
2031-2035	<u>3,990,000</u>	<u>721,810</u>	<u>4,711,810</u>
Totals	<u>\$ 9,220,000</u>	<u>\$ 4,843,435</u>	<u>\$ 14,063,435</u>

Southern Hills Plantation I Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE E – LONG-TERM DEBT (CONTINUED)

Significant Bond Provisions

The Series 2011A-1 and A-2 Bonds are subject to redemption at the option of the District prior to their maturity, in whole or in part, at any time after May 1, 2012, at a redemption price set in the Bond indenture. 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 Indenture established certain amounts be maintained in a reserve account. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements.

Depository Funds

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

Reserve Fund – The Series 2011 Reserve Account is funded from the proceeds of the Bonds. Monies held in the reserve accounts will be used only for the purposes established in the Trust Indenture.

	Capital Improvement Revenue Bonds	
	Reserve Balance	Reserve Requirement
Series 2011 Capital Improvement Revenue Bonds A-1	\$ 418,637	\$ 554,505
Series 2011 Capital Improvement Revenue Bonds A-2	\$ 55,833	\$ 77,734

NOTE F – RISK MANAGEMENT

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

NOTE G – SUBSEQUENT EVENT

In May 2021, the District made the required interest payments on the Series 2011A-1 and 2011A-2 Capital Improvement Revenue Bonds, however, the required principal payments were not made. The Developer also informed the District that they would not make the \$744,000 required debt service assessment for 2021.



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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
Southern Hills Plantation I Community Development District
Hernando 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 Southern Hills Plantation I 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 21, 2021.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

Please note certain findings in the management letter on pages 29-31.

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 21, 2021



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MANAGEMENT LETTER

To the Board of Supervisors
Southern Hills Plantation I Community Development District
Hernando County, Florida

Report on the Financial Statements

We have audited the financial statements of the Southern Hills Plantation I Community Development District as of and for the year ended September 30, 2020, and have issued our report thereon dated June 21, 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 Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and our Independent Auditor's Report on an examination conducted in accordance with AICPA Professionals Standards, AT-C Section 315 regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in that report, which is dated June 21, 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. The following findings or recommendations were made in the preceding financial audit report.

To the Board of Supervisors
Southern Hills Plantation I Community Development District

Finding 2018-01

Finding: The District utilized the reserve fund to make part of the May 2018 payment due on the Series 2011 A-1 bonds. The balance had not been restored to the reserve fund by year end. We recommend that the District take steps to restore the reserve fund balance to the required amount.

Response: The District is investigating possible steps to restore the reserve balance to the required amount.

Status: The reserve balance has not been restored to the required balance.

Financial Condition and Management

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 Southern Hills Plantation I 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 Southern Hills Plantation I Community Development District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial conditions assessment procedures as of September 30, 2020 for the Southern Hills Plantation I Community Development District. It is management's responsibility to monitor the Southern Hills Plantation I 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 did note the following finding.



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

To the Board of Supervisors
Southern Hills Plantation I Community Development District

Purpose of this Letter

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

*Berger Toombs Elam
Gaines + Frank*

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

June 21, 2021



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

To the Board of Supervisors
Southern Hills Plantation I Community Development District
Hernando County, Florida

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

In our opinion, Southern Hills Plantation I Community Development District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2020.

*Berger Toombs Elam
Gaines + Frank*

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June 21, 2021



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July 1, 2021

Board of Supervisors
Southern Hills Plantation I Community Development District
Hernando County, Florida

This letter serves as an addendum to the "Management Letter" dated June 21, 2021 and covering the District's fiscal year ended September 30, 2020.

Paragraph 9 of the Additional Matters section is hereby retracted in its entirety from the above referenced letter.

Paragraph 9 of the Additional Matters section is now as follows:

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

*Berger Toombs Elam
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Berger, Toombs, Elam, Gaines & Frank
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Fort Pierce / Stuart