

Financial Report

September 30, 2020



SUN 'N LAKE

GOLF & RECREATION

**Sun 'N Lake of Sebring
Improvement District
Sebring, Florida**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Sun 'n Lake of Sebring Improvement District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the *Sun 'n Lake of Sebring Improvement District, Sebring, Florida* (the "District"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Sun 'n Lake of Sebring Improvement District, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 3 and budgetary comparison information on pages 34 and 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated March 6, 2021 on our consideration of Sun 'n Lake of Sebring Improvement District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Sun 'n Lake of Sebring Improvement District's internal control over financing reporting and compliance.



Orlando, Florida
March 6, 2021

Our discussion and analysis of Sun 'n Lake of Sebring Improvement District, Sebring, Florida's ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2020. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements themselves.

Financial Highlights

- The assets of the District exceeded its liabilities at September 30, 2020, resulting in a net position of \$32,980,166.
- The District's total net position in comparison with the prior year increased by \$248,985. The key components of the District's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2020, the District's governmental funds reported combined ending fund balance of \$3,176,841, an increase of \$65,354 in comparison with the prior year.
- At September 30, 2020, the District's unassigned fund balance in the general fund was \$3,334,552 or 100% of total general fund balance which is available for spending at the District's discretion.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the District that are principally supported by assessments (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include general (administration, finance, and community services), public safety (code enforcement and security), transportation (roads and drainage) and culture and recreation. The business-type activities of the District include the Utility (water and sewer) operation.

Fund Financial Statements

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains three governmental funds for external reporting. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the general, golf special revenue, and capital projects funds. The general, golf special revenue, and capital projects funds are considered to be major funds.

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

The District also adopts an annual non-appropriated operating budget for the golf, capital projects, and utility funds.

Proprietary Funds

The District maintains one type of proprietary fund: enterprise. An enterprise fund is used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District maintains one enterprise fund. The District uses an enterprise fund to account for the operations of the water and sewer utility services within the District.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the utility fund, which is considered a major fund.

Notes to the Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information regarding the District's budget and actual revenues and expenses of the General Fund.

Government-Wide Financial Analysis

Summary Schedule of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$32,980,166 at the close of the most recent fiscal year.

Sun 'n Lake of Sebring Improvement District, Sebring, Florida
Management's Discussion and Analysis

Key components of the District's net position are reflected in the following table:

Statement of Net Position as of September 30:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Assets:						
Current and other assets	\$ 4,114,731	\$ 4,583,411	\$ 5,209,049	\$ 5,043,192	\$ 9,323,780	\$ 9,626,603
Capital assets, net	16,916,291	17,052,782	8,480,844	8,516,071	25,397,135	25,568,853
Total assets	21,031,022	21,636,193	13,689,893	13,559,263	34,720,915	35,195,456
Liabilities:						
Current liabilities	939,242	1,475,489	267,147	276,107	1,206,389	1,751,596
Long-term liabilities	492,401	678,640	41,959	34,039	534,360	712,679
Total liabilities	1,431,643	2,154,129	309,106	310,146	1,740,749	2,464,275
Net Position:						
Net investment in capital assets	16,534,516	16,459,934	8,480,844	8,516,071	25,015,360	24,976,005
Restricted	-	-	3,961,062	3,840,427	3,961,062	3,840,427
Unrestricted	3,064,863	3,022,130	938,881	892,619	4,003,744	3,914,749
Total net position	\$ 19,599,379	\$ 19,482,064	\$ 13,380,787	\$ 13,249,117	\$ 32,980,166	\$ 32,731,181

The largest portion of the District's net position, \$25,015,360, (76%) reflects its investment in capital assets (e.g., land, land improvements, equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion, \$3,961,062, represents funds set aside for renewal and replacement and impact fee projects. Restrictions are made by enabling legislation for future capital renewal and replacement and expansion.

The results of this year's operations for the District as a whole are reported in the statement of activities. The net position of the District's governmental activities increased \$117,315 and the net position of the business-type activities increased \$131,670 in comparison with the prior year.

Schedule of Changes in Net Position

Key elements of the change in the District's net position are reflected in the following table:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 6,762,455	\$ 7,027,202	\$ 2,778,577	\$ 2,430,200	\$ 9,541,032	\$ 9,457,402
Operating grants and contributions	10,845	218,471	-	-	10,845	218,471
Capital grants and contributions	94,706	-	69,600	40,000	164,306	40,000
General Revenues:						
Investment earnings	38,834	82,726	56,167	78,314	95,001	161,040
Other	62,451	53,676	13,300	-	75,751	53,676
Total revenues	6,969,291	7,382,075	2,917,644	2,548,514	9,886,935	9,930,589
Expenses:						
Governmental Activities:						
General government	1,577,666	2,034,535	-	-	1,577,666	2,034,535
Public safety	310,245	322,998	-	-	310,245	322,998
Transportation	1,206,377	1,119,405	-	-	1,206,377	1,119,405
Culture and recreation	4,438,077	4,112,293	-	-	4,438,077	4,112,293
Interest	19,611	14,261	-	-	19,611	14,261
Business - type Activities:						
Water and sewer utilities	-	-	2,085,974	2,185,579	2,085,974	2,185,579
Total expenses	7,551,976	7,603,492	2,085,974	2,185,579	9,637,950	9,789,071
Increase (Decrease) in Net Position Before Transfers						
Transfers	(582,685)	(221,417)	831,670	362,935	248,985	141,518
Transfers	700,000	-	(700,000)	-	-	-
Increase (Decrease) in Net position	117,315	(221,417)	131,670	362,935	248,985	141,518
Net position, beginning	19,482,064	19,703,481	13,249,117	12,886,182	32,731,181	32,589,663
Net position, end	\$ 19,599,379	\$ 19,482,064	\$ 13,380,787	\$ 13,249,117	\$ 32,980,166	\$ 32,731,181

Governmental Activities

Charges for services accounted for 97% of the total governmental revenues, which consisted primarily of assessments for the current and prior year. The decrease in charges for services from the previous year was \$264,747. The decrease is primarily attributable to reduce restaurant revenues and other events due to COVID-19. The cost of all governmental activities during the fiscal year ended September 30, 2020 was \$7,551,976, which was a decrease of 1% from the prior year. Culture and recreation services accounted for 59% of total expenses.

Business-Type Activities

The cost of the business-type activities was \$2,085,974, a 5% decrease from the prior year. The costs of those activities were paid for by charges for services, which accounted for 95% of total business-type revenues.

Financial Analysis of the District's Funds

Governmental Funds

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund balance increased \$19,318 (1%) from the previous year and is reporting an ending balance of \$3,334,552. Of this balance \$3,334,552 is unassigned, which represents 102% of 2020 expenditures.

The Golf Special Revenue Fund reported a net decrease in fund balance of \$21,380, after transfers in of \$592,617. The decrease resulted in an ending fund balance deficit of \$(157,711).

The Capital Projects Fund reported a zero balance after transfer in of \$422,324 and capital expenditures of \$354,908. The fund was closed due to the completion of the clubhouse kitchen remodel.

Proprietary Funds

The *District's* proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Water and Sewer Utility Fund reported operating income of \$692,603, which is an increase of \$447,982 from the previous year. Of the total net position in the amount of \$13,380,787, included in this amount is \$3,961,062 restricted for Capital projects. The improvement in operating results is due to increased water rates and decreased expenditures in repairs & maintenance of equipment.

General Fund Budgeting Highlights

The differences between the 2020 original budget and the final amended budget are adopted by the Board throughout the year. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate.

The negative variance between budgeted and actual general fund revenues for the 2020 fiscal year was \$163,283, as the District collected less assessments than anticipated and had lower event revenues due to COVID-19. The actual general fund expenditures for the 2020 fiscal year were \$309,144 lower than budgeted amounts due primarily to lower overall expenditures than anticipated and cutbacks related to COVID-19 restrictions.

Capital Asset and Debt Administration

Capital Assets
(Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Land	\$ 520,477	\$ 520,477	\$ 184,842	\$ 184,842	\$ 705,319	\$ 705,319
Construction in Progress	70,201	983,963	19,177	57,933	89,378	1,041,896
Buildings, Infrastructure & Improvements	12,180,512	11,123,230	8,080,704	8,148,160	20,261,216	19,271,390
Machinery and Equipment	1,320,764	1,564,872	196,121	125,136	1,516,885	1,690,008
Golf Course & Improvements	2,824,337	2,860,240	-	-	2,824,337	2,860,240
Total	\$ 16,916,291	\$ 17,052,782	\$ 8,480,844	\$ 8,516,071	\$ 25,397,135	\$ 25,568,853

Capital Assets

At September 30, 2020, the District had \$25,397,135, net of accumulated depreciation, invested in capital assets for its governmental and business type activities. This investment in capital assets includes land, land improvements, infrastructure improvements, buildings, improvements other than buildings, vehicles, equipment and water and sewer system.

Capital assets decreased from the prior year in the amount of \$171,718 due to disposals and depreciation expense exceeding additions. The District's major project during the year was the completion of the clubhouse kitchen remodel and liftstations. Culvert installations and ditch cleaning are the major projects under construction at year end.

Long-Term Debt

At September 30, 2020, the *District* had a capital lease payable of \$381,775 outstanding for its governmental activities. See Note 9 for additional information.

Economic Factors, Next Year's Budget, and Rates

The District's strategic objective for the 2020/2021 budget focused on sustaining exemplary levels of services and amenities offered to our residents while investing in the community's infrastructure and enhancing marketing to promote development and growth. Highlights include:

- The General Fund budget was adopted at \$4,127,500, a decrease of \$162,500 in comparison to the previous year's original adopted budget. Of the \$4.127 million, roughly \$3.65 million is operating revenues which have remained consistent year over year. The District Operation and Maintenance assessment revenues constitute for 91% of the operating revenues. The overall general fund budget is made whole utilizing a transfer in from the Utility Fund in the amount of \$470,000. There are no General Fund reserves included. There are minimal prior year carryover projects forecasted.
- The economic conditions in the housing market continue to grow in the District with an increase of 300% in new construction over the prior year. This results in not only additional one-time revenues, such as permit fees, but new annual recurring revenues, such as increased assessments and utility service charges. Additionally, the District completed the foreclosure on Unit 12 which is comprised of approximately 182 acres of vacant land. The District's intent is to market and promote this area to a large developer to capitalize further on market conditions. The property is under contract in the amount of \$500,000 at the commencement of the fiscal year and is in the due diligence period.
- The Utility Fund was adopted at just over \$2.6 million, a increase of 3% and does not include any prior year reserves to balance the budget. This year's budget does not include any increases to the water and sewer base charge fees. This year the Board budgeted to fund the Capital Improvement Fund, previously known as the URRIF (Utility Renewal Replacement Improvement Fund), in the amount of \$100,000. Of the \$2.6 million, there is \$392,000 budgeted for capital outlay. There is a forecasted carryover project in the amount of \$131,000 for the lift station grinders enhancements at two manhole locations.
- The Golf Fund was adopted at \$4.5 million in contrast to the previous year's \$4.4 million budget. Operationally, revenues are expected to remain constant for golf operations only increasing roughly \$41,000 and decreasing only by \$25,000 in restaurant operations due to the new kitchen renovation. Golf membership and public green fees both sustained increases. Additionally, the Food and Beverage operations had a complete menu and pricing overhaul. Lasting affects to both golf and restaurant operations from the COVID pandemic were strongly considered throughout the budgeting and forecasting process. Of the \$4.4 million, \$547,000 was budgeted for capital improvement projects for the golf courses and clubhouse. The operational subsidy was set at \$180,000 in comparison to the \$222,500 in the prior fiscal year. There are no future carryover projects.

Requests for Information

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Sun 'n Lake of Sebring Improvement District's Finance Department located at 5306 Sun 'n Lake Blvd., Sebring, FL 33872, or visit our website at snldistrict.org.

FINANCIAL STATEMENTS

Statement of Net Position

September 30, 2020

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 1,850,186	\$ 1,368,440	\$ 3,218,626
Investments	1,961,819	2,921,325	4,883,144
Receivables, net	5,245	298,996	304,241
Internal balances	55,576	(55,576)	-
Due from other governments	94,706	-	94,706
Inventories	116,316	-	116,316
Prepaid costs	30,883	-	30,883
Restricted Assets:			
Cash and cash equivalents	-	675,864	675,864
Capital Assets:			
Not being depreciated	590,678	204,019	794,697
Depreciable, net	16,325,613	8,276,825	24,602,438
Total capital assets	16,916,291	8,480,844	25,397,135
Total assets	21,031,022	13,689,893	34,720,915
Liabilities:			
Accounts payable and accrued expenses	411,637	113,447	525,084
Accrued interest payable	1,352	-	1,352
Unearned revenues	473,446	-	473,446
Customer deposits and other liabilities	52,807	153,700	206,507
Noncurrent Liabilities:			
Due within one year	158,932	4,196	163,128
Due in more than one year	333,469	37,763	371,232
Total liabilities	1,431,643	309,106	1,740,749
Net Position			
Net investment in capital assets	16,534,516	8,480,844	25,015,360
Restricted for:			
Capital projects	-	3,438,898	3,438,898
Impact fee projects	-	522,164	522,164
Unrestricted	3,064,863	938,881	4,003,744
Total net position	\$ 19,599,379	\$ 13,380,787	\$ 32,980,166

Sun 'n Lake of Sebring Improvement District, Sebring, Florida
Statement of Activities
For the Fiscal Year Ended September 30, 2020

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental Activities:							
General government	\$ 1,577,666	\$ 1,400,776	\$ 10,845	\$ -	\$ (166,045)	\$ -	\$ (166,045)
Public safety	310,245	263,485	-	-	(46,760)	-	(46,760)
Transportation	1,206,377	992,120	-	-	(214,257)	-	(214,257)
Culture and recreation	4,438,077	4,106,074	-	94,706	(237,297)	-	(237,297)
Interest on long-term debt	19,611	-	-	-	(19,611)	-	(19,611)
Total governmental activities	7,551,976	6,762,455	10,845	94,706	(683,970)	-	(683,970)
Business-type Activities:							
Water and Sewer	2,085,974	2,778,577	-	69,600	-	762,203	762,203
Total business-type activities	2,085,974	2,778,577	-	69,600	-	762,203	762,203
Total primary government	\$ 9,637,950	\$ 9,541,032	\$ 10,845	\$ 164,306	(683,970)	762,203	78,233
General Revenues:							
Unrestricted investment earnings					38,834	56,167	95,001
Miscellaneous					54,080	-	54,080
Gain on disposal of capital assets					8,371	13,300	21,671
Transfers					700,000	(700,000)	-
Total general revenues and transfers					801,285	(630,533)	170,752
Change in net position					117,315	131,670	248,985
Net position, beginning					19,482,064	13,249,117	32,731,181
Net position, ending					\$ 19,599,379	\$ 13,380,787	\$ 32,980,166

Balance Sheet - Governmental Funds

September 30, 2020

	General Fund	Golf Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 1,401,662	\$ 448,524	\$ -	\$ 1,850,186
Investments	1,961,819	-	-	1,961,819
Receivables, net	-	5,245	-	5,245
Due from other funds	66,238	-	-	66,238
Due from other governments	94,706	-	-	94,706
Inventories	-	116,316	-	116,316
Prepaid costs	-	30,883	-	30,883
Total assets	\$ 3,524,425	\$ 600,968	-	\$ 4,125,393
Liabilities:				
Accounts payable	\$ 123,576	\$ 140,089	-	\$ 263,665
Accrued expenses	37,160	110,812	-	147,972
Due to other funds	-	10,662	-	10,662
Unearned revenues	27,737	445,709	-	473,446
Customer deposits	1,400	51,407	-	52,807
Total liabilities	189,873	758,679	-	948,552
Fund Balances:				
Nonspendable	-	147,199	-	147,199
Unassigned	3,334,552	(304,910)	-	3,029,642
Total fund balances (deficit)	3,334,552	(157,711)	-	3,176,841
Total liabilities and fund balances	\$ 3,524,425	\$ 600,968	\$ -	\$ 4,125,393

Sun 'n Lake of Sebring Improvement District, Sebring, Florida
**Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position**
September 30, 2020

Total Fund Balance, governmental funds	\$ 3,176,841
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	16,916,291
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Long term liabilities such as capital lease, compensated absences, and accrued interest payable are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.

Capital lease payable	(381,775)
Compensated absences payable	(110,626)
Accrued interest payable	(1,352)

Net Position of Governmental Activities in the Statement of Net Position	\$ 19,599,379
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Sun 'n Lake of Sebring Improvement District, Sebring, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Funds
For the Fiscal Year Ended September 30, 2020

	General Fund	Golf Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Revenues:				
Assessments	\$ 3,232,307	\$ -	\$ -	\$ 3,232,307
Penalty and interest on assessments	68,060	-	-	68,060
Fees and fines	8,341	-	-	8,341
Licenses and permits	27,450	-	-	27,450
Intergovernmental	105,551	-	-	105,551
Charges for services	82,570	3,343,727	-	3,426,297
Investment earnings	38,834	-	-	38,834
Miscellaneous	30,104	-	-	30,104
Total revenues	3,593,217	3,343,727	-	6,936,944
Expenditures:				
Current:				
General Government:				
Financial and administrative	669,725	-	-	669,725
Community services	194,567	-	-	194,567
Facilities and grounds	298,269	-	-	298,269
Total general government	1,162,561	-	-	1,162,561
Code enforcement and security	295,024	-	-	295,024
Roads and drainage	859,259	-	-	859,259
Recreation and leisure	255,342	3,587,357	-	3,842,699
Debt Service:				
Principal	-	211,073	-	211,073
Interest and other charges	-	21,824	-	21,824
Capital Outlay	710,748	137,470	354,908	1,203,126
Total expenditures	3,282,934	3,957,724	354,908	7,595,566
Excess (deficiency) of				
Revenues over expenditures	310,283	(613,997)	(354,908)	(658,622)
Other Financing Sources (uses):				
Sale of land purchased for resale	23,976	-	-	23,976
Transfers in	700,000	592,617	422,324	1,714,941
Transfers out	(1,014,941)	-	-	(1,014,941)
Total other financing sources (uses)	(290,965)	592,617	422,324	723,976
Net change in fund balances	19,318	(21,380)	67,416	65,354
Fund balances, beginning	3,315,234	(136,331)	(67,416)	3,111,487
Fund balances, ending	\$ 3,334,552	\$ (157,711)	\$ -	\$ 3,176,841

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended September 30, 2020

Net Change in Fund Balances - total governmental funds:	\$	65,354
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay		1,242,197
Less: Depreciation expense		(1,387,059)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.</p>		
Debt repayments		211,073
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net position.</p>		
		8,371
<p>The change in compensated absences reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in governmental funds.</p>		
		(24,834)
<p>Accrued interest reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds</p>		
		2,213
Change in Net Position of Governmental Activities	\$	117,315

Statement of Net Position - Proprietary Funds

September 30, 2020

	<u>Water and Sewer Utility</u>
Assets:	
Current Assets:	
Cash and cash equivalents	\$ 1,368,440
Investments	2,921,325
Accounts receivable, net	298,996
Restricted Assets:	
Cash and cash equivalents	675,864
Total current assets	<u>5,264,625</u>
Noncurrent Assets:	
Capital Assets:	
Land	184,842
Construction in progress	19,177
Infrastructure	18,518,554
Buildings	52,192
Machinery and equipment	584,222
Less accumulated depreciation	(10,878,143)
Total capital assets, net	<u>8,480,844</u>
Total assets	<u>13,745,469</u>
Liabilities:	
Current Liabilities:	
Accounts payable	113,447
Due to other funds	55,576
Customer deposits payable	153,700
Compensated absences	4,196
Total current liabilities	<u>326,919</u>
Noncurrent Liabilities:	
Compensated absences	37,763
Total noncurrent liabilities	<u>37,763</u>
Total liabilities	<u>364,682</u>
Net Position:	
Net investment in capital assets	8,480,844
Restricted for capital projects	3,438,898
Restricted for impact fee projects	522,164
Unrestricted	938,881
Total net position	<u>\$ 13,380,787</u>

Sun 'n Lake of Sebring Improvement District, Sebring, Florida
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended September 30, 2020

	Water and Sewer Utility
Revenues:	
Charges for water and sewer services	\$ 2,663,803
Other	114,774
Total operating revenues	<u>2,778,577</u>
Operating Expenses:	
Salaries and benefits	613,119
Contractual services, maintenance and supplies	835,873
Depreciation	636,982
Total operating expenses	<u>2,085,974</u>
Operating income	<u>692,603</u>
Nonoperating Revenues (Expenses):	
Interest and investment income	56,167
Gain on disposal of capital assets	13,300
Impact fees	69,600
Total nonoperating revenues (expenses)	<u>139,067</u>
Income before transfers	831,670
Transfers out	<u>(700,000)</u>
Change in net position	131,670
Net position, beginning	<u>13,249,117</u>
Net position, ending	<u><u>\$ 13,380,787</u></u>

Statement of Cash Flows - Proprietary Funds

For the Fiscal Year Ended September 30, 2020

	Water and Sewer Utility
Cash Flows from Operating Activities:	
Receipts from customers and users	\$ 2,736,469
Payments to employees	(605,199)
Payments to suppliers of goods and services	(853,608)
Net cash provided by (used in) operating activities	1,277,662
Cash Flows from Non-Capital Financing Activities:	
Net operating transfers out	(700,000)
Decrease in due to other funds	(46,167)
Net cash provided by (used in) non-capital financing activities	(746,167)
Cash Flows from Capital and Related Financing Activities:	
Impact fees	69,600
Purchases of capital assets	(601,755)
Proceeds from the sale of capital assets	13,300
Net cash provided by (used in) capital and related financing activities	(518,855)
Cash Flows from Investing Activities:	
Interest earnings	56,167
Purchase of investments	(525,077)
Net cash provided by (used in) investing activities	(468,910)
Net increase in cash and cash equivalents	(456,270)
Cash and cash equivalents, beginning	2,500,574
Cash and cash equivalents, ending	\$ 2,044,304
Classified As:	
Cash and cash equivalents	\$ 1,368,440
Restricted cash and cash equivalents	675,864
Total	\$ 2,044,304
Reconciliation of Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities:	
Operating income	\$ 692,603
Adjustments Not Affecting Cash:	
Depreciation and amortization	636,982
Change in Assets and Liabilities:	
Increase in accounts receivable	(54,883)
Decrease in prepaids / inventory	4,000
Decrease in accounts payable	(21,735)
Increase in customer deposits	12,775
Increase in compensated absences	7,920
Total adjustments	585,059
Net Cash Provided by (used in) Operating Activities	\$ 1,277,662

Notes to Financial Statements

NOTE 1 NATURE OF ORGANIZATION AND REPORTING ENTITY

Reporting Entity

Sun 'n Lake of Sebring Improvement District (the "District") was established by the Board of County Commissioners of Highlands County, Florida on April 16, 1974. The District is located between the City of Sebring, Florida and the City of Avon Park, Florida on US Highway 27. It encompasses approximately 5,700 acres. Highlands County Ordinance No. 74-4 created the District, fixed the boundaries, provided for a governing body, and provided for the powers, functions, and duties of the District and its governing body. This ordinance, as amended by Ordinance No. 77-4, is referred to as the District Charter. The District Charter further provides for the acquisition or construction of improvements which can be financed by the levying of assessments on the benefited properties.

The District is defined as an independent special district under the Uniform Special District Accountability Act of 1989, otherwise known as Chapter 189 of the Florida Statutes. Chapter 189 mandates certain requirements for the formation, dissolution and reporting of special districts.

The District's major activities include operation and maintenance of the golf clubhouse, golf course and driving range, tennis courts, a water and sewer utility system, a network of arterial and neighborhood roads, community center with pool, fitness center, and a general purpose District office.

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Supervisors are elected by the landowners and qualified electors residing within the District. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Florida Statutes.

The Board has the final responsibility for:

1. Assessing and levying assessments.
2. Approving budgets.
3. Exercising control over facilities and properties.
4. Controlling the use of funds generated by the District.
5. Approving the employment of the general manager.
6. Financing improvements.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by assessments and general revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Separate financial statements are provided for governmental funds and proprietary funds. The major governmental and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Assessments, licenses and permits, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized in revenues for the current period. Only the portion of assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue for the current period. All other revenue items (licenses and permits and miscellaneous) are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

General Fund

The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Golf Fund

This special revenue fund is used to account for the operations of the golf course and related amenities. The costs of providing services to the residents are recovered primarily through user charges.

Capital Projects Fund

The capital projects fund is used to account for the acquisition and construction of major capital facilities

The District reports the following major proprietary fund:

Water and Sewer Fund

This enterprise fund is used to account for the operations of the water and sewer utility services within the District. The costs of providing services to the residents are recovered primarily through user charges.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are internal receivable and payable balances between governmental and business-type activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. Operating expenses of the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first for qualifying expenditures, then unrestricted resources as they are needed.

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

Restricted Assets

Restricted assets in the enterprise funds consist of water and sewer impact fees and other net position for renewal, replacement and improvements which have been restricted by enabling legislation.

Deposits and Investments

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

Investments for the District are reported at fair value within the fair value hierarchy established in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, except for the position in the Florida State Board of Administration's and Florida Safe's Local Government Surplus Investment Pools (LGIP). In accordance with state law, the LGIP's operate in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the LGIP's qualify as a 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The Florida State Board of Administration is subject to regulatory oversight by the State of Florida, although it is not registered with the SEC.

Inventories and Prepaid Items

Inventories for the golf fund are valued at cost which approximates market value using the first-in, first-out (FIFO) method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Receivables and Payables

During the course of operations, transactions occur between individual funds. Any residual balances outstanding between governmental activities and business-type activities for internal borrowing are reported in the government-wide statements as "internal balances".

Accounts receivable and assessments receivable are shown net of an allowance for uncollectible amounts. These receivables will be recognized as revenue as they are collected. For the golf fund, accounts receivable outstanding in excess of 90 days, that are material, comprise the allowance. For water and sewer accounts receivable, amounts outstanding in excess of 90 days comprise the allowance. The assessment receivable allowance in the general and debt service funds is equal to 100% of outstanding delinquencies except for amounts outstanding in excess of five years which are written off.

Notes to Financial Statements

September 30, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include property, golf course, and recreation facilities, water and sewer improvements, machinery and equipment and infrastructure (roads, sidewalks, etc.), are reported in the applicable governmental or business-type activities. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	5-20
Buildings	10-40
Infrastructure	10-20
Roads and sidewalks	10-40
Golf course and improvements	20
Utility plant and infrastructure	5-40
Machinery and equipment	5-10

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

Compensated Absences

The District's policy permits employees to accumulate earned but unused vacation and sick pay benefits. Time accrues based on the level and length of service. Upon termination, unused sick time is paid out at up to 35%, based on length of service, and unused vacation time is paid at 100%. Accumulated paid personal time off is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is reported in governmental funds only if they have matured, as a result of employee resignation or retirement.

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Note premiums and discounts are deferred and amortized ratably over the life of the Notes. Notes payable are reported net of premiums or discounts.

In the fund financial statements, governmental fund types recognize premiums and discounts, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category for the year ended September 30, 2020.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any items that qualifies for reporting in this category for the year ended September 30, 2020.

Assessments

Assessments are non-ad valorem assessments on all platted lots within the district. Assessments are levied each November 1 on property as of the previous January 1 to pay for the operations and maintenance of the district and debt service on the notes. The fiscal year for which annual assessments are levied begins on October 1 with discounts available for payments through February 28 and become delinquent on April 1. Penalties are assessed to delinquent lot owners at a rate of 1% per month on the outstanding delinquent balance.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted- net position and unrestricted- net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes fund balance amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Supervisors is the highest level of decision-making authority for the government that can, by adoption of an ordinance or resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance or resolution remains in place until a similar action is taken to remove or revise the limitation.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Board of Supervisors has authorized the District Manager to assign amounts for specific purposes. The Board of Supervisors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above an additional action is essential to either remove or revise a commitment.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

COVID-19

The District is continually evaluating the impact of the COVID-19 global pandemic and has concluded that while it is reasonably possible that the pandemic could have a negative effect on the Company's financial position, results of its operations and/or cash flows, the specific impact is not readily determinable as of the date of the financial statements nor as of the date they were available to be issued. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

New Accounting Standards

In fiscal year 2020, the District implemented Government Accounting Standards Board (GASB) Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. This statement eliminates the requirement to capitalize interest on enterprise fund construction projects. The District also implemented GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. This pronouncement provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of provisions in certain other statements. There was no effect on beginning balances of the District for the implementation of either statement.

NOTE 3 BUDGETARY INFORMATION

The District is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end.

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

1. Each year, the General Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
2. Public hearings are conducted to obtain public comments.
3. Prior to October 1, the budget is legally adopted by the District Board.
4. The General Manager may approve amendments under \$25,000 that do not increase reserve funding. All other budget changes must be approved by the District Board.
5. The budgets are adopted on a basis consistent with accounting principles.
6. Unused appropriation for annually budgeted funds lapse at the end of the year.

The District also prepares annual operating budgets for the golf and utility funds.

Notes to Financial Statements

September 30, 2020

NOTE 4 CASH AND INVESTMENTS**Cash**

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

Investments

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

Instead of establishing a written investment policy, the District elected to limit investments to those approved by Florida Statutes. Authorized District investments include, but are not limited to:

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

Investments made by the District at September 30, 2020 are summarized below. In accordance with GASB 31, investments are reported at amortized cost, which approximates fair value.

Investment Type	Fair Value	Credit Rating	Maturity
Investment in Florida FIT	\$ 1,348,625	AAA	17 days
Investment in Florida Prime	798,523	AAAm	48 days
Certificate of Deposit	760,671	Not rated	10/21/2020
Certificate of Deposit	103,685	Not rated	1/17/2021
Certificate of Deposit	1,112,867	Not rated	2/25/2022
Certificate of Deposit	758,773	Not rated	2/25/2022
Total Investments	\$ 4,883,144		

Credit Risk

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

Notes to Financial Statements

September 30, 2020

NOTE 4 CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2020, all of the District's bank deposits were in qualified public depositories.

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2020, none of the investments listed are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk

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

Interest Rate Risk

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

NOTE 5 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables at September 30, 2020 were as follows:

	Receivable fund:	
	General Fund	Total
Payable Fund:		
Golf fund	\$ 10,662	\$ 10,662
Water and Sewer Utility	55,576	55,576
Total	\$ 66,238	\$ 66,238

The outstanding balances between funds result primarily from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made. Balances between funds are for services paid by the General Fund to be reimbursed.

Notes to Financial Statements

September 30, 2020

NOTE 5 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Interfund transfers for the fiscal year ended September 30, 2020 were as follows:

	Transfer in:			Total
	General Fund	Capital Projects Fund	Golf Fund	
Transfer Out:				
General fund	\$ -	\$ 422,324	\$ 592,617	\$ 1,014,941
Water and Sewer Utility	700,000	-	-	700,000
Total	\$ 700,000	\$ 422,324	\$ 592,617	\$ 1,714,941

Transfers were used to move revenues from the fund where collection occurs to the fund where funds have been reallocated for use. The general fund pays for certain costs for the golf fund, by either directly paying vendors or transferring cash to the golf fund to pay vendors. The general fund also pays costs on behalf of the utility fund and is subsequently reimbursed by the utility fund.

NOTE 6 RECEIVABLES

The District has recorded the assessment receivables for past due amounts. During the fiscal year ended September 30, 2020, a portion of prior year assessments were collected. Unpaid assessments receivable total \$10,287,381, including penalties and interest. The District is in the process of foreclosing on certain properties which have not paid the amounts owed. Due to the uncertainty related to the cost of foreclosure and the ultimate realization from the sale of foreclosed properties, the receivables have been shown with a 100% allowance, except for collectible amounts.

During the fiscal year ended September 30, 2020, there was a decrease in the amount of delinquent assessments and corresponding allowance. The District is continuing with foreclosure proceedings on certain delinquent accounts.

Receivables in the golf fund are considered fully collectible, therefore no allowance for uncollectibles is recorded.

Receivables in the water and sewer fund are reported net of uncollectible amounts. Total accounts receivable and uncollectible amounts at September 30, 2020 are as follows:

Accounts Receivable for Utility Sales	\$ 301,549
Other Receivables	4,947
Allowance for uncollectibles	(7,500)
Net receivables	\$ 298,996

Notes to Financial Statements

September 30, 2020

NOTE 7 CAPITAL ASSETS

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

	Beginning Balance	Increases	Reductions	Transfers	Ending Balance
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 520,477	\$ -	\$ -	\$ -	\$ 520,477
Construction in progress	983,963	283,277	-	(1,197,039)	70,201
Total capital assets not being depreciated	1,504,440	283,277	-	(1,197,039)	590,678
Capital Assets Being Depreciated:					
Buildings	9,805,097	220,743	(9,504)	1,063,199	11,079,535
Infrastructure	1,410,587	19,359	-	-	1,429,946
Roads and sidewalks	4,791,885	386,823	(9,500)	-	5,169,208
Golf course and improvements	7,409,110	46,281	(30,597)	133,840	7,558,634
Machinery and equipment	3,830,371	303,714	(574,344)	-	3,559,741
Total capital assets being depreciated	27,247,050	976,920	(623,945)	1,197,039	28,797,064
Less accumulated depreciation for:					
Buildings	(2,793,677)	(380,466)	9,504	-	(3,164,639)
Infrastructure	(434,290)	(70,947)	-	-	(505,237)
Roads and sidewalks	(1,656,372)	(181,429)	9,500	-	(1,828,301)
Golf course and improvements	(4,548,870)	(216,024)	30,597	-	(4,734,297)
Machinery and equipment	(2,265,499)	(538,193)	564,715	-	(2,238,977)
Total accumulated depreciation	(11,698,708)	(1,387,059)	614,316	-	(12,471,451)
Total capital assets, being depreciated, net	15,548,342	(410,139)	(9,629)	1,197,039	16,325,613
Government activities capital assets, net	\$ 17,052,782.00	\$ (126,862.00)	\$ (9,629.00)	\$ -	\$ 16,916,291.00

Depreciation Allocation:

General government	\$ 81,597
Public safety	14,052
Transportation	381,869
Culture and recreation	909,541
	<u>\$ 1,387,059</u>

Notes to Financial Statements

September 30, 2020

NOTE 7 CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Reductions	Transfers	Ending Balance
Business-type Activities:					
Capital assets not being depreciated:					
Land	\$ 184,842	\$ -	\$ -	\$ -	\$ 184,842
Construction in progress	57,933	286,371	-	(325,127)	19,177
Total capital assets not being depreciated	242,775	286,371	-	(325,127)	204,019
Capital Assets, Being depreciated:					
Buildings	52,192	-	-	-	52,192
Utility plant and infrastructure	18,001,274	201,746	(9,593)	325,127	18,518,554
Machinery and equipment	505,461	113,638	(34,877)	-	584,222
Total capital assets being depreciated	18,558,927	315,384	(44,470)	325,127	19,154,968
Less accumulated depreciation for:					
Buildings	(41,855)	(861)	-	-	(42,716)
Utility plant and infrastructure	(9,863,451)	(593,468)	9,593	-	(10,447,326)
Machinery and equipment	(380,325)	(42,653)	34,877	-	(388,101)
Total accumulated depreciation	(10,285,631)	(636,982)	44,470	-	(10,878,143)
Total capital assets being	8,273,296	(321,598)	-	325,127	8,276,825
Business-type activities capital	\$ 8,516,071	\$ (35,227)	\$ -	\$ -	\$ 8,480,844
Depreciation Allocation:					
Utility			\$ 636,982		
Total depreciation expense			\$ 636,982		

NOTE 8 PROPERTIES HELD FOR SALE

Acting in a fiduciary capacity, as required by the special assessment Bond and Note, through various means, the District has become the owner of record of many undeveloped plots of land within the District. The District is required by the debt agreements to attempt to market and sell these properties with any sale proceeds used to satisfy the related debt encumbered upon the properties. These properties are encumbered by debt liens that exceed the fair market value of the underlying property and are therefore not recorded as an asset on the District's financial statements. The District is also not liable for the encumbered debt due to its actions as fiduciary, as specified in the Bond and Note agreements. As a result of the liens exceeding the value of the properties, the District has been unsuccessful in its attempts to sell these properties.

Notes to Financial Statements

September 30, 2020

NOTE 8 PROPERTIES HELD FOR SALE (CONTINUED)

Because the District is the owner of record of these properties, it is billed ad valorem and other taxes by the County. The District does not intend to pay these taxes. The District has determined, with the assistance of legal counsel, that it will never be held financially liable for the past due taxes and that the only consequence of nonpayment of the taxes would be the loss of the underlying properties.

Due to the totality of these circumstances, the District has recorded no asset or liability relating to these actions on the financial statements.

NOTE 9 LEASE OBLIGATIONS

The District has entered into lease agreements as a lessee for financing the acquisition of certain equipment. These lease agreements qualify as capital leases for accounting purposes and, accordingly, have been recorded at the present value of future minimum lease payments as of the inception date. The aggregate cost and accumulated depreciation of assets acquired through capital leases are as follows:

	Governmental Activities
Machinery and equipment	\$ 664,990
Less accumulated depreciation	(240,604)
Net	<u>\$ 424,386</u>

The future minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2020, were as follows:

Year ending September 30:	Governmental Activities
2021	\$ 161,236
2022	161,236
2023	80,617
Total minimum lease payments	403,089
Less: amount representing interest	(21,314)
Present value of minimum lease payments	<u>\$ 381,775</u>

Notes to Financial Statements

September 30, 2020

NOTE 10 LONG TERM LIABILITIES

Changes in long-term liability activity for the fiscal year ended September 30, 2020 were as follows:

	Beginning Balance	Additions/ Transfers	Reductions/ Transfers	Ending Balance	Due Within One Year
Governmental Activities					
Capital leases	\$ 592,848	\$ -	\$ (211,073)	\$ 381,775	\$ 147,869
Compensated absences	85,792	97,647	(72,813)	110,626	11,063
Total	\$ 678,640	\$ 97,647	\$ (283,886)	\$ 492,401	\$ 158,932
Business-Type Activities					
Compensated absences	\$ 34,039	\$ 35,180	\$ (27,260)	\$ 41,959	\$ 4,196
Total	\$ 34,039	\$ 35,180	\$ (27,260)	\$ 41,959	\$ 4,196

NOTE 11 SPECIAL ASSESSMENT DEBT**Series 2008 Special Assessment Note**

In August 2006, the District issued Special Assessment Bond Anticipation Note Series 2006 in the amount of \$8,798,065. The purpose of the 2006 Note was to provide interim funding for the costs associated with the construction of central water and sewer services for Areas "A" and "C" of Unit 16 of the District. On or about March 2008, the District issued Special Assessment Note Series 2008 in the amount of \$10,000,000. The purpose of the 2008 Note was to redeem the 2006 Note, to fund a debt service reserve fund, and to pay the cost of issuing the Note. The District did in fact redeem the 2006 Note. The construction of the central water and service areas for Areas "A" and "C" of Unit 16 was in fact completed. The Note is secured by first lien on all revenues received from special assessments levied and collected on parcels benefited from the Unit 16 A & C project, all monies on deposit in the funds and accounts established, and on any proceeds from Bonds Issued. The interest rate will be equal to 68% of the 180 day LIBOR rate plus 325 basis points. Principal and interest on the Note will be payable on each May 1 and November 1 commencing November 1, 2008. In May 2009, the due date of the Series 2008 Note was extended from March 29, 2009 to March 28, 2010.

The District collections from property owners were insufficient to pay the principal and interest due during the current and prior year. Because the District itself is not liable for nonpayment of the Note, it is not in default.

In accordance with GASB Cod. Sec. S40, *Special Assessments*, the outstanding liability for this Note and the related balances are not included in the District's financial statements because the District's only obligation under the Note agreement is to collect and remit assessments to the Note holder.

NOTE 11 SPECIAL ASSESSMENT DEBT (CONTINUED)

Phase V Bond

Background

The Phase V Bond was initially issued in 1992. As many of the properties subject to the bond were marketed to foreigners by the prior developer of the District, the District experienced a high number of properties that did not honor the bond obligation. This was largely due to promised developer improvements that were never made, coupled with a down turn in economies of their respective countries. Rather than declare the Phase V Bond in default, the Phase V Bond holder - Van Kampen Merritt - elected to enter into an agreement with the District to work out the bond payments. The bondholder also owned a number of properties subject to the Phase V Bond, which it received from the bankrupt developer. The carrying cost for the property was relatively high (all properties owned by the bondholder were subject to District operating and maintenance assessments) which only made a bad situation worse. To remove the obligation of carrying costs for the District assessments, as well as employing some mechanism to work out the prior indebtedness to the District for the previously levied operation and maintenance assessments (\$700,000), Sun 'n Lake, Inc. (the company that was wholly owned by the bondholder and owned properties within the District) was joined to the agreement between the bondholder and the District.

The District accepted delivery of a deed in lieu of foreclosure for all the company's lots, and as lots were now under District ownership, no assessments were levied against the property, because the District does not assess property it owns. The bondholder further agreed to make a payment of \$100,000 upon execution of the agreement toward the back assessment arrearages, and an additional \$100,000 per year (with back assessments on a given lot credited against such amount when property was sold) until the remaining \$600,000 was paid. All company owned lots were placed into a District "lot pool" with an option to repurchase the lots for \$1.00 each upon sale by Sun 'n Lake, Inc. The District received each annual payment and the \$700,000 delinquency was fully satisfied. Pursuant to the agreement, the bondholder agreed to take no action against the District, and the bondholder agreed that the net proceeds from the lot sales and future collection of assessments would be accepted as full payment for the amount due under the Phase V Bond. The lien of the Phase V Bond, however, remained in full force and effect.

The bondholder ultimately elected to transfer the Phase V Bond and all remaining properties on which it had the option to purchase through the lot pool, and successfully found a purchaser for both the properties and the bond in National Recreational Properties, Inc. ("NRPI"). During 2004, the properties and the bond were sold but NRPI realized that in order to successfully market the property, it would require that the delinquent payments and accrued penalties and interest be restructured, as the accumulated delinquent principal, interest and penalties were simply too great for the property to be affordable on an easy low down payment basis. The Phase V Bond restructuring was approved by the Circuit Court in and for Highlands County, Florida, Case Number GC04-448, by Order dated September 2, 2004.

Land Sale and Purchase Agreement

In addition to the Sun 'n Lake, Inc. "lot-pool" lots, NRPI was further interested in acquiring the property inventory of the District which had been accumulated over the years due to foreclosure of delinquent operations and maintenance assessments. A land sale agreement and purchase agreement was negotiated during the fiscal year ended September 30, 2005, and the District lot inventory of foreclosed property was transferred to NRPI in several transactions for several million dollars. These funds were realized in the form of cash payments to the District, and liquidation of other debts owed by the District, inclusive of delinquent ad valorem taxes on the foreclosed properties, debt the District owed on its golf courses, and similar operation debts. The District continues to actively monitor properties which have delinquent assessments owed either for the Phase V project or operations and maintenance assessments of the District.

The land sale and purchase agreement, as well as the Phase V Bond agreement, were amended. In the last agreement by the District with NRPI, NRPI agreed that it would not only pay assessments on all property owned within the District on an ongoing basis (in exchange for a reduction in the amount it agreed to pay for the new golf course clubhouse), but further agreed that it had the obligation to purchase all properties foreclosed upon the District as part of its inventory available for resale. NRPI is delinquent in payment of its annual assessments and is believed to be an inactive corporation.

NOTE 11 SPECIAL ASSESSMENT DEBT (CONTINUED)

In accordance with GASB Cod. Sec. S40, *Special Assessments*, the outstanding liability for these bonds and the related balances are not included in the District's financial statements because the District's only obligation under the Bond agreement is to collect and remit assessments to the Bondholder.

NOTE 12 COMMITMENTS

The District entered into a management agreement on October 1, 2014, with Billy Casper Golf, LLC to supervise, direct and control the management, development, marketing and operation of the Sun 'n Lake Golf and Country Club. The agreement has no ending date and provides that either party may terminate the agreement with 180 days' notice. The monthly management fee is \$10,000 per month. During fiscal year 2020, the District paid \$120,000 to Billy Casper Golf, LLC as management fees under this agreement.

NOTE 13 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 environmental remediation. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may extend to all situations. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

NOTE 14 DEFINED CONTRIBUTION PLANS

The District has a 401(a) Money Purchase Plan which is a defined contribution plan established to provide benefits at retirement for all full-time employees. At September 30, 2020, there were 28 participants. The District is required to make matching contributions of employee contributions to the 457 deferred compensation plan up to 6% of eligible employee salary. Employees are 50% vested after one year of service and fully vested after two years of service. The District contributes an amount equal to 10% of the District Manager's salary, in accordance with her employment contract. Plan provisions and contribution requirements are established and may be amended by the District Board.

District matching contributions to the plan were \$73,440 for the fiscal year ended September 30, 2020.

The District also has a 457 deferred compensation plan established to provide benefits at retirement to all employees. All non-seasonal employees are eligible, and the District matches contributions as noted above. At September 30, 2020 there were 28 participants. Plan provisions and contribution requirements are established and may be amended by the District Board.

The plan assets are administered by Nationwide Financial Services, Inc. Participants have access to the information regarding their account balances through Nationwide. The District does not exercise any control over the plan assets.

The District has no post-employment benefits for healthcare or insurance.

NOTE 15 SUBSEQUENT EVENT

Subsequent to year end, the District entered into a capital lease agreement for golf carts in the amount of \$596,784.

Required Supplementary Information

Sun 'n Lake of Sebring Improvement District, Sebring, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Fiscal Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Assessments	\$ 3,325,000	\$ 3,325,000	\$ 3,232,307	\$ (92,693)
Penalty and interest on assessments	85,000	85,000	68,060	(16,940)
Fees and fines	10,000	10,000	8,341	(1,659)
Licenses and permits	2,500	2,500	27,450	24,950
Intergovernmental	95,000	95,000	105,551	10,551
Charges for services	129,000	129,000	82,570	(46,430)
Investment earnings	75,000	75,000	38,834	(36,166)
Miscellaneous	35,000	35,000	30,104	(4,896)
Total revenues	3,756,500	3,756,500	3,593,217	(163,283)
Expenditures:				
Current:				
Financial and administrative	860,200	825,700	669,725	155,975
Community services	219,800	219,800	194,567	25,233
Facilities and grounds	305,050	305,050	298,269	6,781
Code enforcement and security	294,425	303,925	295,024	8,901
Roads and drainage	994,200	914,700	859,259	55,441
Recreation and leisure	295,075	295,075	255,342	39,733
Capital outlay	719,000	727,828	710,748	17,080
Total expenditures	3,687,750	3,592,078	3,282,934	309,144
Excess of revenues over expenditures	68,750	164,422	310,283	145,861
Other Financing Sources (Uses):				
Sale of land purchased for resale	-	-	23,976	23,976
Transfers in	315,000	700,000	700,000	-
Transfers out	(602,250)	(1,026,710)	(1,014,941)	11,769
Total other financing sources (uses)	(287,250)	(326,710)	(290,965)	35,745
Net change in fund balance*	(218,500)	(162,288)	19,318	181,606
Fund balance, beginning	3,315,234	3,315,234	3,315,234	-
Fund balance, ending	\$ 3,096,734	\$ 3,152,946	\$ 3,334,552	\$ 181,606

* The net change in fund balance was included in the budget as an appropriation of fund balance.

The District is required to establish a budgetary system and an approved annual budget for the general fund. The District's budgeting process is based on estimates of cash receipt and cash expenditures which are approved by the Board. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

The differences between the 2020 original budget and the final amended budget are adopted by the Board throughout the year. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate.

The negative variance between budgeted and actual general fund revenues for the 2020 fiscal year was \$163,283, as the District collected less assessments than anticipated and had lower event revenues due to COVID-19. The actual general fund expenditures for the 2020 fiscal year were \$309,144 lower than budgeted amounts due primarily to lower overall expenditures than anticipated and cutbacks related to COVID-19 restrictions.

The District adopts a non-appropriated operating budget for the Golf Special Revenue and the Capital Projects Funds that are used for internal planning, control, and review purposes only. Generally accepted accounting principles only require the presentation of appropriated budgets adopted to meet legal requirements as required supplementary information. Because the District is not legally required to adopt an appropriated budget for these funds, this information is not presented.

Compliance Section

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

To the Board of Supervisors
Sun 'n Lake of Sebring Improvement District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund, of the *Sun 'n Lake of Sebring Improvement District, Sebring, Florida*, as of and for the fiscal year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 6, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests on 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 result of our tests disclosed no instances of noncompliance, or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

McDiernit Davis

March 6, 2021
Orlando, Florida



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

To the Board of Supervisors
Sun 'n Lake of Sebring Improvement District

We have examined Sun 'n Lake of Sebring Improvement District's (the "District") compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2020. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, Sun 'n Lake of Sebring Improvement District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2020.

McDermitt Davis

Orlando, Florida
March 6, 2021

MANAGEMENT LETTER

To the Board of Supervisors
Sun 'n Lake of Sebring Improvement District, Florida

Report on the Financial Statements

We have audited the financial statements of the Sun 'n Lake of Sebring Improvement District, Florida, as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated March 6, 2021.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 6, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

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

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Sun 'n Lake of Sebring Improvement District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Sun 'n Lake of Sebring Improvement District, did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the District. It is management's responsibility to monitor the Sun 'n Lake of Sebring Improvement District's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same. In connection with our audit, we determined that the Sun 'n Lake of Sebring Improvement District, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Additional Matters

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

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the members of 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.

McDiernit Davis

Orlando, Florida
March 6, 2021