

**WATERCHASE  
COMMUNITY DEVELOPMENT DISTRICT  
HILLSBOROUGH COUNTY, FLORIDA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2020**

**WATERCHASE COMMUNITY DEVELOPMENT DISTRICT  
HILLSBOROUGH COUNTY, FLORIDA**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Waterchase Community Development District, Hillsborough County, Florida ("District") 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 as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express 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 and each major fund of the District as of September 30, 2020, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



February 11, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Waterchase Community Development District, Hillsborough County, Florida ("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.

### FINANCIAL HIGHLIGHTS

- The assets plus deferred outflows of resources of the District exceeded its liabilities at the close of the most recent fiscal year resulting in a net position balance of \$4,681,121.
- The change in the District's total net position in comparison with the prior fiscal year was \$121,365, an increase. 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 balances of \$1,028,000 a decrease of (\$114,839) in comparison with the prior fiscal year. The total fund balance is restricted for debt service, non-spendable for deposits, assigned to reserves, and the remainder is unassigned fund balance which is available for spending at the District's discretion.

### OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as the 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.

#### **1) 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 the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual amount being 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.

The government-wide financial statements include all governmental activities that are principally supported by special assessment revenues. The District does not have any business-type activities. The governmental activities of the District include the general government (management) and maintenance functions.

#### **2) 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 one fund category: governmental funds.

## OVERVIEW OF FINANCIAL STATEMENTS (Continued)

### 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 outflow 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 balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two governmental funds for external reporting. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and debt service funds, both of which 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.

### 3) 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.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets plus deferred outflows of resources exceeded liabilities at the close of the most recent fiscal year.

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

	NET POSITION	
	SEPTEMBER 30,	
	2020	2019
Current and other assets	\$ 1,037,718	\$ 1,177,019
Capital assets, net of depreciation	10,051,985	10,238,099
Total assets	11,089,703	11,415,118
Deferred outflows of resources	479,854	523,477
Current liabilities	97,436	127,839
Long-term liabilities	6,791,000	7,251,000
Total liabilities	6,888,436	7,378,839
Net position		
Net investment in capital assets	3,740,839	3,510,576
Restricted	224,638	199,944
Unrestricted	715,644	849,236
Total net position	\$ 4,681,121	\$ 4,559,756

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The District's net position reflects its investment in capital assets (e.g. land, land improvements, 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 of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the District's other obligations.

The District's net position increased during the most recent fiscal year. The majority of the increase represents the extent to which ongoing program revenues exceeded the cost of operations and depreciation expenses.

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

	CHANGES IN NET POSITION	
	FOR THE FISCAL YEAR ENDED SEPTEMBER 30,	
	2020	2019
Revenues:		
Program revenues:		
Charges for services	\$ 1,036,029	\$ 1,035,792
Operating grants and contributions	1,947	1,294
General revenues	8,794	17,888
Total revenues	<u>1,046,770</u>	<u>1,054,974</u>
Expenses:		
General government	172,613	134,647
Maintenance and operations	490,329	389,586
Interest	262,463	276,469
Total expenses	<u>925,405</u>	<u>800,702</u>
Change in net position	121,365	254,272
Net position - beginning	4,559,756	4,305,484
Net position - ending	<u>\$ 4,681,121</u>	<u>\$ 4,559,756</u>

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2020 was \$925,405. The costs of the District's activities were primarily funded by program revenues. Program revenues were comprised primarily of assessments for both the current and prior fiscal years. In total, expenses increased from the prior fiscal year. The majority of the increase is for shoreline restoration costs.

## GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. 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. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The general fund budget for the fiscal year ended September 30, 2020 was amended to increase appropriations and use of fund balance by \$180,475. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2020.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At September 30, 2020, the District had \$13,099,198 invested in land, land improvements, infrastructure, drainage system and other improvements. In the government-wide financial statements depreciation of \$3,047,213 has been taken, which resulted in a net book value of \$10,051,985. More detailed information about the District's capital assets is presented in the notes of the financial statements.

### Capital Debt

At September 30, 2020, the District had \$6,791,000 in Bonds outstanding for its governmental activities. More detailed information about the District's capital debt is presented in the notes of the financial statements.

## ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND OTHER EVENTS

The District does not anticipate any major projects or significant changes to its infrastructure maintenance program for the subsequent fiscal year. In addition, it is anticipated that the general operations of the District will remain fairly constant.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, land owners, customers, investors and creditors with 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 Waterchase Community Development District's Finance Department at 210 N. University Drive, Suite 702, Coral Springs, Florida 33071.

**WATERCHASE COMMUNITY DEVELOPMENT DISTRICT  
HILLSBOROUGH COUNTY, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020**

	Governmental Activities
<b>ASSETS</b>	
Cash and equivalents	\$ 710,200
Assessments receivable	8,218
Accounts receivable	11,377
Deposits	1,200
Restricted assets:	
Investments	306,723
Capital assets:	
Nondepreciable	6,735,805
Depreciable, net	3,316,180
Total assets	11,089,703
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refunding (debit)	479,854
Total deferred outflows of resources	479,854
 <b>LIABILITIES</b>	
Accounts payable	9,718
Accrued interest payable	87,718
Non-current liabilities:	
Due within one year	475,000
Due in more than one year	6,316,000
Total liabilities	6,888,436
 <b>NET POSITION</b>	
Net investment in capital assets	3,740,839
Restricted for debt service	224,638
Unrestricted	715,644
Total net position	\$ 4,681,121

See notes to the financial statements

**WATERCHASE COMMUNITY DEVELOPMENT DISTRICT  
HILLSBOROUGH COUNTY, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	
Primary government:				
Governmental activities:				
General government	\$ 172,613	\$ 172,613	\$ -	\$ -
Maintenance and operations	490,329	153,258	-	(337,071)
Interest on long-term debt	262,463	710,158	1,947	449,642
Total governmental activities	925,405	1,036,029	1,947	112,571
General revenues:				
Unrestricted Investment earnings				8,794
Total general revenues				8,794
Change in net position				121,365
Net position - beginning				4,559,756
Net position - ending				\$ 4,681,121

See notes to the financial statements

**WATERCHASE COMMUNITY DEVELOPMENT DISTRICT  
HILLSBOROUGH COUNTY, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2020**

	Major Funds		Total Governmental Funds
	General	Debt Service	
<b>ASSETS</b>			
Cash and equivalents	\$ 710,200	\$ -	\$ 710,200
Investments	-	306,723	306,723
Accounts receivable	11,377	-	11,377
Assessments receivable	2,585	5,633	8,218
Deposits	1,200	-	1,200
Total assets	\$ 725,362	\$ 312,356	\$ 1,037,718
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 9,718	\$ -	\$ 9,718
Total liabilities	9,718	-	9,718
 Fund balances:			
Nonspendable:			
Deposits	1,200	-	1,200
Restricted for:			
Debt service	-	312,356	312,356
Assigned to:			
Operating reserves	68,374	-	68,374
Lake embankment/drainage	557,582	-	557,582
Streetlights	75,000	-	75,000
Unassigned	13,488	-	13,488
Total fund balances	715,644	312,356	1,028,000
 Total liabilities and fund balances	 \$ 725,362	 \$ 312,356	 \$ 1,037,718

See notes to the financial statements

**WATERCHASE COMMUNITY DEVELOPMENT DISTRICT  
HILLSBOROUGH COUNTY, FLORIDA  
RECONCILIATION OF BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020**

Fund balance - governmental funds \$ 1,028,000

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental fund financial statements. The statement of net position includes those capital assets, net of any accumulated depreciation, in the net position of the government as a whole.

Cost of capital assets	13,099,198	
Accumulated depreciation	<u>(3,047,213)</u>	10,051,985

Deferred charges on refunding of long-term debt are shown as deferred outflows/inflows of resources in the government-wide financial statements; however, this amount is expensed in the governmental fund financial statements.

479,854

Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund financial statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.

Accrued interest payable	(87,718)	
Bonds payable	<u>(6,791,000)</u>	<u>(6,878,718)</u>

Net position of governmental activities	<u><u>\$ 4,681,121</u></u>
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See notes to the financial statements

**WATERCHASE COMMUNITY DEVELOPMENT DISTRICT  
HILLSBOROUGH COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

	Major Funds		Total Governmental Funds
	General	Debt Service	
<b>REVENUES</b>			
Assessments	\$ 325,871	\$ 710,158	\$ 1,036,029
Interest	8,794	1,947	10,741
Total revenues	334,665	712,105	1,046,770
<b>EXPENDITURES</b>			
Current:			
General government	164,042	8,571	172,613
Maintenance and operations	304,215	-	304,215
Debt service:			
Principal	-	460,000	460,000
Interest	-	224,781	224,781
Total expenditures	468,257	693,352	1,161,609
Excess (deficiency) of revenues over (under) expenditures	(133,592)	18,753	(114,839)
Fund balances - beginning	849,236	293,603	1,142,839
Fund balances - ending	\$ 715,644	\$ 312,356	\$ 1,028,000

See notes to the financial statements

**WATERCHASE COMMUNITY DEVELOPMENT DISTRICT  
HILLSBOROUGH COUNTY, FLORIDA  
RECONCILIATION OF THE 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 \$ (114,839)

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

Depreciation on capital assets is not recognized in the governmental fund financial statements but is reported as an expense in the statement of activities. (186,114)

Repayment of long-term liabilities are reported as expenditures in the governmental fund financial statements but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities. 460,000

Amortization of deferred amount on refunding is not recognized in the governmental fund financial statements, but is reported as an expense in the statement of activities. (43,623)

The change in accrued interest on long-term liabilities between the current and prior fiscal year is recorded in the statement of activities but not in the fund financial statements. 5,941

Change in net position of governmental activities \$ 121,365

See notes to the financial statements

**WATERCHASE COMMUNITY DEVELOPMENT DISTRICT  
HILLSBOROUGH COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY**

Waterchase Community Development District ("the District") was created on March 22, 2001 pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes, by Hillsborough County Ordinance 01-5. The Act provides among other things, the power to manage basic services for community development, power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of a portion of the infrastructure necessary for community development within the District.

The District is governed by the Board of Supervisors ("the Board") which is composed of five members. The Supervisors are elected by the owners of the property within the District. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, 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 hiring and firing of key personnel.
6. Financing improvements.

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District 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 primary government. For the most part, the effect of interfund activity has been removed from these statements.

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*.

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

### **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.

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**

Assessments are non-ad valorem assessments on benefited lands within the District. Assessments are levied to pay for the operations and maintenance of the District. 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. The District's annual assessments for operations and debt service are billed and collected by the County Tax Assessor/Collector. The amounts remitted to the District are net of applicable discounts or fees and include interest on monies held from the day of collection to the day of distribution.

Assessments and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The portion of assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

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.

### **Debt Service Fund**

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

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

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

### **Assets, Liabilities and Net Position or Equity**

#### **Restricted Assets**

These assets represent cash and investments set aside pursuant to Bond covenants or other contractual restrictions.

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

### Assets, Liabilities and Net Position or Equity (Continued)

#### Deposits and Investments

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

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The District may invest any surplus public funds in the following:

- a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act;
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c) Interest bearing time deposits or savings accounts in qualified public depositories;
- d) Direct obligations of the U.S. Treasury.

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due. In addition, surplus funds may be deposited into certificates of deposit which are insured and any unspent Bond proceeds are required to be held in investments as specified in the Bond Indenture.

The District records all interest revenue related to investment activities in the respective funds. Investments are measured at amortized cost or reported at fair value as required by generally accepted accounting principles.

#### Prepaid Items

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.

#### Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) 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>
Landscape and irrigation	30
Infrastructure and other	20-50

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.

#### Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned.

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

### Assets, Liabilities and Net Position or Equity (Continued)

#### Refunding of Debt

For current refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources and recognized as a component of interest expense over the shorter of the remaining life of the old debt or the life of the new debt. In connection with the refunding, \$43,623 was recognized as a component of interest expense in the current fiscal year.

#### 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. Bond premiums and discounts are deferred and amortized ratably over the life of the Bonds. Bonds payable are reported net of applicable premiums or discounts. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### 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.

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.

#### Fund Equity/Net Position

In the fund financial statements, governmental funds report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change.

The District can establish limitations on the use of fund balance as follows:

Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Supervisors. Commitments may be changed or lifted only by the Board of Supervisors taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned fund balance – Includes spendable fund balance amounts established by the Board of Supervisors that are intended to be used for specific purposes that are neither considered restricted nor committed. The Board may also assign fund balance as it does when appropriating fund balance to cover differences in estimated revenue and appropriations in the subsequent year's appropriated budget. Assignments are generally temporary and normally the same formal action need not be taken to remove the assignment.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Assets, Liabilities and Net Position or Equity (Continued)**

#### Fund Equity/Net Position (Continued)

The District first uses committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position in the government-wide financial statements are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net position related to infrastructure and property, plant and equipment. Restricted net position represents the assets restricted by the District's Bond covenants or other contractual restrictions. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

### **Other Disclosures**

#### 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.

## **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.

- a) Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- b) Public hearings are conducted to obtain public comments.
- c) Prior to October 1, the budget is legally adopted by the District Board.
- d) All budget changes must be approved by the District Board.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

## **NOTE 4 - DEPOSITS AND INVESTMENTS**

### **Deposits**

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.

## NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

### Investments

The District's investments were held as follows at September 30, 2020:

	<u>Amortized cost</u>	<u>Credit Risk</u>	<u>Maturity</u>
US Bank N.A. Commercial Paper	\$ 306,723	N/A	N/A
Total Investments	<u>\$ 306,723</u>		

The commercial paper investments are held by the trustee but not in the District's name.

*Credit risk* – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

*Concentration risk* – The District places no limit on the amount the District may invest in any one issuer.

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

However, the Bond Indenture limits the type of investments held using unspent proceeds.

*Fair Value Measurement* – When applicable, the District measures and records its investments using fair value measurement guidelines established in accordance with GASB Statements. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques.

These guidelines recognize a three-tiered fair value hierarchy, in order of highest priority, as follows:

- *Level 1*: Investments whose values are based on unadjusted quoted prices for identical investments in active markets that the District has the ability to access;
- *Level 2*: Investments whose inputs - other than quoted market prices - are observable either directly or indirectly; and,
- *Level 3*: Investments whose inputs are unobservable.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the entire fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs. The District used the market approach as the valuation technique.

Money market type investments that have a maturity at the time of purchase of one year or less and are held by governments other than external investment pools should be measured at amortized cost. Accordingly, the District's investments have been reported at amortized cost above.

## NOTE 5 - CAPITAL ASSETS

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

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land and land improvements	\$ 6,735,805	\$ -	\$ -	\$ 6,735,805
Total capital assets, not being depreciated	6,735,805	-	-	6,735,805
Capital assets, being depreciated				
Landscaping and irrigation	29,678	-	-	29,678
Infrastructure - water control and other	6,139,546	-	-	6,139,546
Streetlight Project-LED	96,959	-	-	96,959
Fountains	81,570	-	-	81,570
Aeration System	15,640	-	-	15,640
Total capital assets, being depreciated	6,363,393	-	-	6,363,393
Less accumulated depreciation for:				
Landscaping and irrigation	8,903	990	-	9,893
Infrastructure - water control and other	2,806,653	175,415	-	2,982,068
Streetlight Project-LED	36,764	4,848	-	41,612
Fountains	7,476	4,079	-	11,555
Aeration System	1,303	782	-	2,085
Total accumulated depreciation	2,861,099	186,114	-	3,047,213
Total capital assets, being depreciated, net	3,502,294	(186,114)	-	3,316,180
Governmental activities capital assets, net	\$ 10,238,099	\$ (186,114)	\$ -	\$ 10,051,985

Depreciation expense was charged to the maintenance and operations function.

## NOTE 6 - LONG TERM LIABILITIES

### Series 2017

On October 26, 2017, the District issued \$8,129,000 of Series 2017 Capital Improvement Revenue Refunding Bonds due May 1, 2032 with a fixed interest rate of 3.1%. The Series 2017 Bonds were issued to refund the Series 2007 Capital Improvement Revenue Refunding Bonds. Interest is paid semiannually on each May 1 and November 1, commencing November 1, 2017. Principal on the 2017 Bonds is paid serially commencing May 1, 2019 through May 1, 2032.

The Series 2017 Bonds are subject to redemption in part prior to maturity at the option of the District at a redemption price as set forth in the Bond Indenture. The Bonds are also subject to extraordinary mandatory redemption and optional redemption prior to maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture.

The Bond Indenture established a debt service reserve requirement as well as other restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District was in compliance with the requirements at September 30, 2020.

**NOTE 6 - LONG TERM LIABILITIES (Continued)**

**Long-term Debt Activity**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Series 2017 Bonds	\$ 7,251,000	\$ -	\$ 460,000	\$ 6,791,000	\$ 475,000
Total	\$ 7,251,000	\$ -	\$ 460,000	\$ 6,791,000	\$ 475,000

At September 30, 2020, the scheduled debt service requirements on the long-term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2021	\$ 475,000	\$ 210,521	\$ 685,521
2022	489,000	195,796	684,796
2023	505,000	180,637	685,637
2024	521,000	164,982	685,982
2025	537,000	148,831	685,831
2026-2030	2,950,000	483,662	3,433,662
2031-2032	1,314,000	61,411	1,375,411
Total	\$ 6,791,000	\$ 1,445,840	\$ 8,236,840

**NOTE 7 - MANAGEMENT COMPANY**

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

**NOTE 8 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. There have not been claims from these risks that exceeded commercial insurance coverage over the past three years.

**WATERCHASE COMMUNITY DEVELOPMENT DISTRICT  
HILLSBOROUGH COUNTY, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Assessments	\$ 324,718	\$ 324,718	\$ 325,871	\$ 1,153
Interest	8,780	8,780	8,794	14
Total revenues	<u>333,498</u>	<u>333,498</u>	<u>334,665</u>	<u>1,167</u>
<b>EXPENDITURES</b>				
Current:				
General government	158,751	158,751	164,042	(5,291)
Maintenance and operations	174,747	355,222	304,215	51,007
Total expenditures	<u>333,498</u>	<u>513,973</u>	<u>468,257</u>	<u>45,716</u>
Excess (deficiency) of revenues over (under) expenditures	-	(180,475)	(133,592)	46,883
<b>OTHER FINANCING SOURCES</b>				
Use of fund balance	-	180,475	-	(180,475)
Total other financing sources (uses)	<u>-</u>	<u>180,475</u>	<u>-</u>	<u>(180,475)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(133,592)</u>	<u>\$ (133,592)</u>
Fund balance - beginning			<u>849,236</u>	
Fund balance - ending			<u>\$ 715,644</u>	

See notes to required supplementary information

**WATERCHASE COMMUNITY DEVELOPMENT DISTRICT  
HILLSBOROUGH COUNTY, FLORIDA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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 receipts 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 legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The general fund budget for the fiscal year ended September 30, 2020 was amended to increase appropriations and use of fund balance by \$180,475. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2020.



**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  
Waterchase Community Development District  
Hillsborough County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Waterchase Community Development District, Hillsborough County, Florida (the "District") 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 opinion thereon dated February 11, 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying Management Letter as item 2020-01 that we consider to be a significant deficiency.

**Compliance and Other Matters**

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

The District's response to the finding identified in our audit is described in the accompanying Management Letter. We did not audit the District's response, and accordingly, we express no opinion on it.

### **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.

*B* *hav & Associates*

February 11, 2021



**Grau & Associates**  
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE  
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY  
RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

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

We have examined Waterchase Community Development District, Hillsborough County, Florida's ("District") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced in Section 218.415, Florida Statutes. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2020.

This report 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, management, and the Board of Supervisors of Waterchase Community Development District, Hillsborough County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Grau & Associates*

February 11, 2021



**MANAGEMENT LETTER PURSUANT TO THE RULES OF  
THE AUDITOR GENERAL FOR THE STATE OF FLORIDA**

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

**Report on the Financial Statements**

We have audited the accompanying basic financial statements of Waterchase Community Development District, Hillsborough County, Florida ("District") as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated February 11, 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 Auditor'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 February 11, 2021, should be considered in conjunction with this management letter.

**Purpose of this Letter**

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the financial statements of the District, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.**
- II. Status of prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

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, as applicable, management, and the Board of Supervisors of Waterchase Community Development District, Hillsborough County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Waterchase Community Development District, Hillsborough County, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements, and the courtesies extended to us.

*Grau & Associates*

February 11, 2021

## REPORT TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

#### *Significant Deficiency*

##### 2020-01 Vendor Overpayment

Observation: During the current year the District overpaid the shoreline restoration vendor \$13,577. The overpayment was not discovered during the internal control process for disbursements and therefore an auditor adjusting journal entry had to be proposed so the financial statements would not be materially misstated.

Recommendation: The District should add additional steps to its internal control process for disbursements to ensure that contracts are tracked sufficiently to avoid overpaying vendors.

Management Response: The District will review its internal control process for disbursements to ensure vendors are not overpaid.

### II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

### III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2019.

2. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2020, except as noted above.

3. 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.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2020.

4. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.

5. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.

6. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2020. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.