

**WATERFORD SPECIAL DEPENDENT DISTRICT**  
**Hillsborough County, Florida**

**ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED**

**SEPTEMBER 30, 2020**

**WATERFORD SPECIAL DEPENDENT DISTRICT**  
**Table of Contents**  
**SEPTEMBER 30, 2020**

	<u>Page(s)</u>
<b>Independent Auditors' Report</b>	1
<b>Management's Discussion and Analysis</b>	3
<b>Financial Statements and Disclosures</b>	
Government-Wide Financial Statements:	
Statement of Net Position	7
Statement of Activities	8
General Fund Financial Statements:	
Balance Sheet	9
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	10
Notes to Financial Statements	11
<b>Required Supplementary Information</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Special Revenue Fund	17
<b>Internal Control and Compliance</b>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18
Management Letter Pursuant to the Rules of the Auditor General for the State of Florida	20



# Hamilton & Phillips LLC

Certified Public Accountants

3447 Brook Crossing Drive • Brandon, Florida 33511

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Waterford Special Dependent District  
Hillsborough County, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the Waterford Special Dependent District ("District"), Hillsborough County, 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 as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government 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 the significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the 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 a report dated November 18, 2020, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Hamilton & Phillips, LLC*

Brandon, Florida  
November 18, 2020

**Waterford Special Dependent District  
Hillsborough County, Florida  
Management's Discussion and Analysis - Unaudited**

Our discussion and analysis of Waterford Special Dependent District, Hillsborough County, Florida's ("District") financial performance provides an 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 of the District exceeded its liabilities at the close of the most recent fiscal year by \$278,771.

The District's total net position increased by \$15,093 from the prior fiscal year.

The District's total revenue was \$60,292 for the fiscal year ended September 30, 2020.

The District's total expenses for all activities were \$45,199 for the year.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is 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 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.

**Waterford Special Dependent District  
Hillsborough County, Florida  
Management's Discussion and Analysis - Unaudited**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS - CONTINUED**

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 continued development, administration and maintenance of properties for the area known as Waterford on the Alafia.

**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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has a single governmental fund.

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 government'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 currently maintains one individual governmental fund 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 balance for the special revenue fund, which is a major fund.

The District adopts an annual appropriated budget for its special revenue fund. A budgetary comparison schedule has been provided for the special revenue fund to demonstrate compliance with the budget. The variance between budgeted and actual special revenue fund revenues was not considered significant. Actual budgeted expenditures were lower than budgeted due primarily to repairs and maintenance expenses being lower than anticipated.

**Waterford Special Dependent District  
Hillsborough County, Florida  
Management's Discussion and Analysis - Unaudited**

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 financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets exceeded liabilities at the close of the most recent fiscal year. The following is a summary of the District's net position as of September 30, 2020 and 2019:

	<b>Net Position, End of Year</b>		
	<b>Governmental Activities</b>		
	9/30/2020	9/30/2019	Increase / (Decrease)
<b>ASSETS</b>			
Cash and cash equivalents	\$ 204,948	\$ 182,787	\$ 22,161
Capital assets, net of depreciation	73,823	80,891	(7,068)
Total Assets	278,771	263,678	15,093
<b>NET POSITION</b>			
Net position - Restricted	204,948	182,787	22,161
Net Investment in Capital Assets	73,823	80,891	(7,068)
Total Net Position	\$ 278,771	\$ 263,678	\$ 15,093

**Waterford Special Dependent District  
Hillsborough County, Florida  
Management's Discussion and Analysis - Unaudited**

Key elements of the changes in the District's net position for the fiscal years ended September 30, 2020 and 2019 are as follows:

	<b>Operating Results for the Year</b> Governmental Activities		
	9/30/2020	9/30/2019	Increase / (Decrease)
<b>REVENUES</b>			
Assessments	\$ 60,249	\$ 60,149	\$ 100
Interest & Other	43	44	(1)
<b>Total Revenues</b>	60,292	60,193	99
 <b>EXPENSES</b>			
Environment:			
Repairs and maintenance	15,609	13,606	2,003
Lawn care	7,320	7,687	(367)
Utilities	9,150	9,411	(261)
Accounting and auditing	2,100	2,100	-
Commissions - Tax Collector	1,205	1,195	10
Insurance	2,184	2,130	54
Other charges and obligations	563	398	165
Depreciation	7,068	11,546	(4,478)
<b>Total Expenses</b>	45,199	48,073	(2,874)
 Increase / (Decrease) in Net Position	15,093	12,120	2,973

Governmental activities increased the District's net position by \$15,093 during the most recent fiscal year. Expenses decreased \$2,874 due to a decrease in depreciation as some assets became fully depreciated. Revenues exceeded expenses, leading to an increase in fund balance.

**OTHER INFORMATION**

Required supplementary information is required by the Governmental Accounting Standards Board and includes reports on internal control, compliance with laws and regulations, and budgeting comparisons. These reports are also an integral part of the audited financial statements.



**Waterford Special Dependent District  
Hillsborough County, Florida  
Statement of Net Position  
September 30, 2020**

<b>Assets</b>	<u>Governmental Activities</u>
Cash	\$ 204,948
Capital assets	246,387
Accumulated depreciation	<u>(172,564)</u>
<b>Total Assets</b>	<b><u><u>\$ 278,771</u></u></b>
<b>Net Position</b>	
Restricted	\$ 204,948
Invested in capital assets	<u>73,823</u>
<b>Total Net Position</b>	<b><u><u>\$ 278,771</u></u></b>

**Waterford Special Dependent District  
Hillsborough County, Florida  
Statement of Activities  
For the Fiscal Year Ended September 30, 2020**

<b>Functions/Programs</b>	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Primary Government:			
Government Activities:			
General Government	\$ 45,199	60,249	\$ 15,050
Total Governmental Activities	45,199	60,249	15,050
 <b>General Revenues:</b>			
Interest & Other			43
Total General Revenues			43
Change in Net Position			15,093
<b>Net Position - Beginning</b>			263,678
<b>Net Position - Ending</b>			\$ 278,771

**Waterford Special Dependent District  
Hillsborough County, Florida  
Balance Sheet - Governmental Fund  
September 30, 2020**

<b>Assets</b>	<u>Special Revenue Fund</u>
Cash	<u>\$ 204,948</u>
Total Assets	<u><u>\$ 204,948</u></u>
<b>Fund Balance</b>	
Restricted	<u>\$ 204,948</u>
Total Fund Balance	<u><u>\$ 204,948</u></u>

**Reconciliation of the Balance Sheet - Governmental Fund  
to the Statement of Net Position**

Fund Balance - Governmental Fund		\$ 204,948
Amounts reported for governmental activities in the statement of net assets 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.		
Cost of capital asset	246,387	
Accumulated depreciation	<u>(172,564)</u>	<u>73,823</u>
Net position of governmental activities		<u><u>\$ 278,771</u></u>

**Waterford Special Dependent District  
Hillsborough County, Florida  
Statement of Revenues, Expenditures, and Changes in  
Fund Balance - Governmental Fund  
For the Fiscal Year Ended September 30, 2020**

	Special Revenue Fund
<b>Revenues</b>	
Special Assessments	\$ 60,249
Interest Income	43
Total Revenues	60,292
 <b>Expenditures</b>	
Repairs and maintenance	15,609
Lawn care	7,320
Utilities	9,150
Accounting and auditing	2,100
Commissions - Tax Collector	1,205
Insurance	2,184
Other charges and obligations	563
Total Expenditures	38,131
Excess (deficiency) of revenues over (under) expenditures	22,161
<b>Fund Balance - Beginning</b>	182,787
<b>Fund Balance - Ending</b>	\$ 204,948

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

Net change in fund balance - total governmental fund	\$ 22,161
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation of capital assets is not recognized in the governmental fund statements but is recorded as an expense in the statement of activities.	(7,068)
Change in net position of governmental activities	\$ 15,093

**Waterford Special Dependent District  
Hillsborough County, Florida  
Notes to Financial Statements  
September 30, 2020**

**(1) Summary of Significant Accounting Policies**

**Nature and Purpose of the Waterford Special Dependent District**

The Waterford Special Dependent District ("District"), Hillsborough County, Florida, by was created by Hillsborough County Ordinance 95-7, pursuant to Section 189.4041(4), Florida Statutes, in December 1987, for the purpose of continued development, administration, and maintenance of the unincorporated area known as Waterford on the Alafia.

The District is a special dependent tax district as defined in Section 189.403, Florida Statutes. The governing body of the District is the Board of Trustees, which is comprised of seven elected members who serve four-year terms of office. The general operating authority of the District is contained in Section 189.404, Florida Statutes.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Sections 2800 and 2600. These criteria were used to evaluate potential component units for which the District is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's basic financial statements to be misleading or incomplete. Based on the application of these criteria, no component units are included within the reporting entity of the District.

**Basis of Presentation**

**Government-Wide Financial Statements**

The government-wide financial statements, including the statement of net position and statement of activities, present information about the District as a whole.

The government-wide financial statements are prepared using the economic resources measurement focus. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented to better identify the relationship between the two types of statements.

The District reports the following major governmental fund: Special Revenue Fund - to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

**Waterford Special Dependent District  
Hillsborough County, Florida  
Notes to Financial Statements  
September 30, 2020**

**Basis of Accounting**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using 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 in the year in which they are levied.

Governmental fund financial statements are reported using the modified accrual basis of accounting. Revenues are recognized when they become 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. The District 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.

**Budgets and Budgetary Accounting**

The District prepares and adopts a budget for the Special Revenue Fund for the fiscal year commencing October 1, in accordance with Section 189.418(3), Florida Statutes. The operating budget is prepared on the accrual basis of accounting and presented as required supplementary information.

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

- 1) Prior to June 1, the District submits to the Chief Deputy, Clerk of County Commissioners, a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes the proposed expenditures for the upcoming year.
- 2) Prior to July 1, the budget is approved by the Board of County Commissioners.
- 3) The budget for the District is adopted on a basis consistent with generally accepted accounting principles (GAAP).
- 4) Any amendments to the budget must be approved by the Board of County Commissioners.

**Waterford Special Dependent District  
Hillsborough County, Florida  
Notes to Financial Statements  
September 30, 2020**

**Cash Deposits**

The District's cash deposits consist of demand deposits held by a commercial bank qualified as a public depository under Florida law. Deposits on hand at financial institutions are insured by the Federal Deposit Insurance Company and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

**Capital Assets**

Capital assets, which include improvements to common grounds and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the governmental 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 \$1,000 (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 estimated fair market value at the date of donation. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets.

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.

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.

**Net Position and Fund Balance Classification**

Government-wide Financial Statements - Net position is classified and reported in three components:

- 1) Net Investment in Capital Assets - consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings attributed to the acquisition or improvement of those assets.
- 2) Restricted Net Position - consists of net position with constraints placed on their use either by external groups such as creditors, contributors, or laws or regulations of other governments.
- 3) Unrestricted Net Position - all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

**Waterford Special Dependent District  
Hillsborough County, Florida  
Notes to Financial Statements  
September 30, 2020**

**Net Position and Fund Balance Classification - Continued**

Fund Financial Statements - GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within one of the following fund balance categories:

- 1) Nonspendable - fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned). All nonspendable fund balances at year end relate to assets that are nonspendable in form.
- 2) Restricted - fund balance that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- 3) Committed - fund balance that can be used only for the specific purposes determined by a formal action of the District's Board of Governance.
- 4) Assigned - fund balance that is intended to be used by the District's management for specific purposes does not meet the criteria to be classified as restricted or committed.
- 5) Unassigned - fund balance that is the residual amount for the District's general fund and includes all spendable amounts not contained in the other classifications.

**Revenue Sources**

The District's primary source of revenue is a tax assessed in the Waterford Subdivision on all improved residential parcels. The District is authorized to levy a non-ad valorem tax on each improved residential parcel of property located within the District. Property taxes are recognized in the fiscal year when they become measurable and available. The taxes are collected by Hillsborough County and remitted to the District net of an early payment discount (4% starting in November and gradually decreasing by 1% per month until March) and net of a 2% fee retained by the Tax Collector. The District approved an assessment of \$1,000 per improved parcel for the fiscal year, which included 62 parcels for a total of \$62,000 in assessments.

**Use of Estimates**

In preparing the financial statements, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.



**Waterford Special Dependent District  
Hillsborough County, Florida  
Notes to Financial Statements  
September 30, 2020**

**(2) Cash Deposits**

In the case of deposits, there is a custodial credit risk where in the event of a bank failure, the District's deposits may not be returned to the District. Cash balances consist of \$204,948 held entirely in a checking and savings account with a commercial bank that qualifies as a public depository under Florida law. All such deposits are insured by the Federal Deposit Insurance Company and/or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

**(3) 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, being depreciated				
Infrastructure	\$ 246,387	\$ -	\$ -	\$ 246,387
Less accumulated depreciation for:				
Infrastructure	(165,496)	(7,068)	-	(172,564)
Governmental activities capital assets, net	\$ 80,891	\$ (7,068)	\$ -	\$ 73,823

**(4) Revenue**

The 2020 tax roll assessments for the District were as follows:

	Amount
Non-ad Valorem taxes assessed	\$ 62,000
Interest and excess fees	483
Less: Discounts	(2,234)
Total Non-ad Valorem tax revenue	60,249
Less: Tax Collector fees	(1,205)
Total remittances to the District	\$ 59,044

**(5) Subsequent Events**

Management has evaluated all events subsequent to the balance sheet date and through the report date, which is the date of these financial statements were available to be issued. In March of 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As of the date of this report, the District's operations remain uninterrupted. However, the District cannot reasonably estimate the length or severity of this pandemic nor can the financial impacts be determined.

REQUIRED SUPPLEMENTARY INFORMATION

**Waterford Special Dependent District**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual - Special Revenue Fund**  
**For the Fiscal Year Ended September 30, 2020**

	<u>Budgeted Amounts</u>		Variance with Final Budget - Positive (Negative)
	<u>Original &amp; Final</u>	<u>Actual Amounts</u>	
<b>Revenues</b>			
Assessments, net of discounts	\$ 58,900	\$ 60,249	\$ 1,349
Interest & other	-	43	43
	<hr/>	<hr/>	<hr/>
Total revenues	58,900	60,292	1,392
<b>Expenditures</b>			
Current:			
General government	59,499	38,131	(21,368)
	<hr/>	<hr/>	<hr/>
Total expenditures	59,499	38,131	(21,368)
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	(599)	22,161	22,760
<b>Fund Balance - Beginning</b>		<hr/>	
		182,787	
<b>Fund Balance - Ending</b>		<hr/> <hr/>	
		\$ 204,948	



# Hamilton & Phillips LLC

Certified Public Accountants

3447 Brook Crossing Drive • Brandon, Florida 33511

## **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 Trustees  
Waterford Special Dependent 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 the major fund of Waterford Special Dependent District ("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 report thereon dated November 18, 2020.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **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, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and do not 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.

*Hamilton & Phillips, LLC*

Brandon, Florida  
November 18, 2020



# Hamilton & Phillips LLC

Certified Public Accountants

3447 Brook Crossing Drive • Brandon, Florida 33511

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

To the Board of Trustees  
Waterford Special Dependent District  
Hillsborough County, Florida

### Report on the Financial Statements

We have audited the accompanying basic financial statements of Lake Heather Special Dependent Tax District, Hillsborough County, Florida ("District") as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated November 18, 2020.

### 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 Florida Auditor General.

### Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Chapter 10.550, Rules of the Florida Auditor General dated November 18, 2020. Disclosures in that report should be considered in conjunction with this management letter.

### Prior Audit Findings

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

**Finding 2019-01:** In the prior year, there was an instance where a reimbursement check issued to a member of the Board of Trustees was signed by only one of the authorized trustees. A recommendation was made to have a second authorized trustee sign checks issued to related parties.

The above finding is determined to be unresolved in the current year. There were additional instances of checks issued to related parties that were signed by only one authorized Officer. Related parties for this matter are considered to be fellow members of the Board of Trustees, and their immediate family members. See also related finding 2020-01 in the current year, under Additional Matters.

## **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 the management letter, unless disclosed in the notes to the financial statements.

The title and legal authority of the District are 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 that we apply appropriate procedures and communicate the results of our determination as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of specific condition(s) met.

In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the District. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

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

## **Special District Component Units**

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

## **Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we noted the following:

## **Finding 2020-01 - Disbursements**

### **Condition**

In the current year, it was observed that the District is not in compliance with its governing document, Hillsborough County Ordinance 95-7, with respect to checks issued for disbursement of funds. Written checks issued for payment of expenses were signed by only one of the authorized members of the Board of Trustees. Authorized members include the President, Vice President, and Treasurer. Per the terms of the Ordinance, Section 10 states "No funds of the district shall be disbursed except by check or draft signed by two of the three authorized trustees."

### **Recommendation**

This finding is not considered to have a material effect on the financial statements; however, it warrants the attention of those charged with governance. We recommend going forward, that all written checks are signed by two of the authorized trustees.

### **Management's Response**

"The WSDD Board approves all non-recurring expenditures/contracts in advance. Additionally, all financial activity is presented to the Board at monthly meetings and reviewed and approved by it. The Board is fully aware of the payment procedures used by this district and has full confidence in the integrity and accountability of existing process."

### **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, Hillsborough County, Florida, The Board of Trustees, and applicable management and is not intended to be and should not be used by anyone other than those specified parties.

*Hamilton & Phillips, LLC*

Brandon, Florida  
November 18, 2020