

**Portofino Isles Community Development District**

**ANNUAL FINANCIAL REPORT**

**September 30, 2021**

**Portofino Isles Community Development District**

**ANNUAL FINANCIAL REPORT**

**September 30, 2021**

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## REPORT OF INDEPENDENT AUDITORS

To the Board of Supervisors  
Portofino Isles Community Development District  
City of Port St. Lucie, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of Portofino Isles Community Development District as of and for the year ended September 30, 2021, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Fort Pierce / Stuart

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To the Board of Supervisors  
Portofino Isles Community Development District

### **Basis for Adverse Opinion on the Discretely Presented Component Units**

The financial statements do not include financial data for the District's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component unit. The District has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net position, revenues, and expenses of the aggregate discretely presented component units should have been presented.

### **Adverse Opinion**

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Discretely Presented Component Units", the financial statements referred to above do not present fairly, the financial position of the discretely presented component units of the District as of, September 30, 2021 or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the "Basis for Adverse Opinion on the Discretely Presented Component Units" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining fund information of the District as of September 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinions**

In our opinion, the financial statements referred to previously 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, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.



To the Board of Supervisors  
Portofino Isles Community Development District

### **Other Matters**

#### *Required Supplementary Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated August 11, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Portofino Isles Community Development District's internal control over financial reporting and compliance.

*Berger Toombs Elam  
Gaines & Frank*

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

August 11, 2022

**Portofino Isles Community Development District**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended September 30, 2021**

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

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

*Fund financial statements* present financial information for governmental funds. These statements provide financial information for the major funds of the District. Governmental fund financial statements provide information on the current assets and liabilities of the funds, changes in current financial resources (revenues and expenditures), and current available resources.

**Portofino Isles Community Development District**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended September 30, 2021**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

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

The government-wide financial statement is designed to provide the reader with a broad overview of the District's finances, in a manner similar to a private sector business. In the government-wide statement of net position, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all non-current assets and receivables as well as all non-current debt and obligations. The effect of interfund activity has been eliminated from the government-wide financial statements. In contrast, the governmental fund financial statements are grouped into funds to account for and to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis where as revenues are recorded when collected in the current period or within 60 days of year-end and expenditures are recorded when a liability is incurred. The difference between the two statements arises primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the governmental funds. A reconciliation of the government-wide and the fund financial statement is provided to illustrate these differences.

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

**Financial Highlights**

The following are the highlights of financial activity for the year ended September 30, 2021.

- ◆ The District's total liabilities exceeded total assets and deferred outflows of resources by \$(6,353,742), (net position). Unrestricted net position for Governmental Activities was \$(3,824,245). Net investment in capital assets was \$(2,530,913). Restricted net position was \$1,416.
- ◆ Governmental activities revenues totaled \$864,924 while governmental activities expenses totaled \$1,237,712.

**Portofino Isles Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2021**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Financial Analysis of the District**

The following schedule provides a summary of the assets, liabilities and net position of the District and is presented by category for comparison purposes.

**Net Position**

|   | <b>Governmental Activities</b> |                       |
|---|--------------------------------|-----------------------|
|   | <b>2021</b>                    | <b>2020</b>           |
| Current assets                                  | \$ 760,670                     | \$ 591,658            |
| Restricted assets                               | 889,632                        | 868,054               |
| Capital assets                                  | 5,907,106                      | 6,324,702             |
| Deferred amount on refunding                    | 157,389                        | 170,977               |
| Total Assets and Deferred Outflows of Resources | <u>7,714,797</u>               | <u>7,955,391</u>      |
| Current liabilities                             | 6,138,539                      | 5,551,345             |
| Non-current liabilities                         | 7,930,000                      | 8,385,000             |
| Total Liabilities                               | <u>14,068,539</u>              | <u>13,936,345</u>     |
| Net position - net investment in capital assets | (2,530,913)                    | (1,466,176)           |
| Net position - restricted                       | 1,416                          | 1,416                 |
| Net position - unrestricted                     | (3,824,245)                    | (4,516,194)           |
| Total Net Position                              | <u>\$ (6,353,742)</u>          | <u>\$ (5,980,954)</u> |

The increase in current assets is mainly the result of revenues exceeding expenditures in the General Fund in the current year.

The decrease in capital assets is primarily the result of current year depreciation in excess of capital additions.

The increase in current liabilities and decrease in unrestricted net position is the result of not making scheduled debt service payments on the Series 2005 Bonds in the current year.



**Portofino Isles Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2021**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Financial Analysis of the District (Continued)**

The following schedule provides a summary of the changes in net position of the District and is presented by category for comparison purposes.

**Change in Net Position**

|                                  | <b>Governmental Activities</b> |                       |
|----------------------------------|--------------------------------|-----------------------|
|                                  | <b>2021</b>                    | <b>2020</b>           |
| Program Revenues                 |                                |                       |
| Charges for services             | \$ 658,136                     | \$ 657,103            |
| General Revenues                 |                                |                       |
| Investment earnings              | 735                            | 12,896                |
| Miscellaneous revenues           | -                              | 15,000                |
| Intergovernmental revenues       | 206,053                        | 191,303               |
| Total Revenues                   | <u>864,924</u>                 | <u>876,302</u>        |
| Expenses                         |                                |                       |
| General government               | 126,095                        | 195,311               |
| Physical environment             | 545,348                        | 560,633               |
| Interest and other costs         | 566,269                        | 586,314               |
| Total Expenses                   | <u>1,237,712</u>               | <u>1,342,258</u>      |
| Change in Net Position           | (372,788)                      | (465,956)             |
| Net Position - Beginning of Year | <u>(5,980,954)</u>             | <u>(5,514,998)</u>    |
| Net Position - End of Year       | <u>\$ (6,353,742)</u>          | <u>\$ (5,980,954)</u> |

The decrease in general government is related to the decrease in engineering and legal fees and SPE fees in the current year.

**Portofino Isles Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2021**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Capital Assets Activity**

The following schedule provides a summary of the District's capital assets as of 2021 and 2020.

| <b>Description</b>         | <b>Governmental Activities</b> |                     |
|----------------------------|--------------------------------|---------------------|
|                            | <b>2021</b>                    | <b>2020</b>         |
| Infrastructure             | \$ 11,938,807                  | \$ 11,938,807       |
| Equipment                  | 8,749                          | -                   |
| Accumulated depreciation   | (6,040,450)                    | (5,614,105)         |
| Total Capital Assets (Net) | <u>\$ 5,907,106</u>            | <u>\$ 6,324,702</u> |

During the year, \$8,749 was added to equipment and depreciation was \$426,345.

**General Fund Budgetary Highlights**

The budget exceeded actual expenditures for the year primarily because engineering, landscape, wetlands and the perimeter project costs were less than anticipated.

The budget was not amended for fiscal year September 30, 2021.

**Debt Management**

Governmental Activities debt includes the following:

- ◆ In October 2005, the District issued \$6,375,000 Series 2005 Special Assessment Revenue Bonds. The Bonds were issued to finance the acquisition and construction of certain improvements within the District. During the year, the District failed to meet the scheduled debt service requirements and the Series 2005 Bonds remain in default. Matured bonds payable totaled \$1,655,000 at September 30, 2021. The unmatured balance outstanding at September 30, 2021 was \$4,450,000.
- ◆ In March 2013, the District issued \$5,730,000 Series 2013 Special Assessment Revenue Refunding Bonds. The bonds were issued to refund the Series 2003A Special Assessment Revenue Bonds. The balance outstanding at September 30, 2021 was \$3,930,000.

**Portofino Isles Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2021**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Economic Factors and Next Year's Budget**

Portofino Isles Community Development District does not expect any economic factors to have any significant effect on the financial position or results of operations of the District in fiscal year 2022.

**Request for Information**

The financial report is designed to provide a general overview of Portofino Isles Community Development District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Portofino Isles Community Development District, Governmental Management Services SF, 5385 N Nob Hill Road, Sunrise, Florida 33351.

**Portofino Isles Community Development District**  
**STATEMENT OF NET POSITION**  
**September 30, 2021**

|                                       | <b>Governmental<br/>Activities</b> |
|---------------------------------------|------------------------------------|
| <b>ASSETS</b>                         |                                    |
| Current Assets                        |                                    |
| Cash                                  | \$ 90,314                          |
| Investments                           | 667,378                            |
| Due from other governments            | 2,978                              |
| Total Current Assets                  | <u>760,670</u>                     |
| Non-Current Assets                    |                                    |
| Restricted:                           |                                    |
| Investments                           | 889,632                            |
| Capital Assets Being Depreciated:     |                                    |
| Infrastructure                        | 11,938,807                         |
| Equipment                             | 8,749                              |
| Less: accumulated depreciation        | <u>(6,040,450)</u>                 |
| Total Non-Current Assets              | <u>6,796,738</u>                   |
| Total Assets                          | <u>7,557,408</u>                   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b> |                                    |
| Deferred amount on refunding, net     | <u>157,389</u>                     |
| <b>LIABILITIES</b>                    |                                    |
| Current Liabilities                   |                                    |
| Accounts payable and accrued expenses | 15,393                             |
| Unearned revenues                     | 40,000                             |
| Matured interest payable              | 3,760,680                          |
| Matured bonds payable                 | 1,655,000                          |
| Accrued interest                      | 217,466                            |
| Bonds payable-current                 | 450,000                            |
| Total Current Liabilities             | <u>6,138,539</u>                   |
| Non-Current Liabilities               |                                    |
| Bonds payable                         | 7,930,000                          |
| Total Liabilities                     | <u>14,068,539</u>                  |
| <b>NET POSITION</b>                   |                                    |
| Net investment in capital assets      | (2,530,913)                        |
| Restricted for capital projects       | 1,416                              |
| Unrestricted                          | <u>(3,824,245)</u>                 |
| Total Net Position                    | <u>\$ (6,353,742)</u>              |

*See accompanying notes to financial statements.*

**Portofino Isles Community Development District**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2021**

| <b>Functions/Programs</b>         | <b>Expenses</b>       | <b>Program<br/>Revenues<br/>Charges for<br/>Services</b> | <b>Net (Expenses)<br/>Revenues and<br/>Changes in<br/>Net Position<br/>Governmental<br/>Activities</b> |
|-----------------------------------|-----------------------|--|--|
| <b>Primary government</b>         |                       |  |  |
| Governmental Activities           |                       |  |  |
| General government                | \$ (126,095)          | \$ 58,530  | \$ (67,565)  |
| Physical environment              | (545,348)             | 78,189   | (467,159)  |
| Interest and other costs          | (566,269)             | 521,417  | (44,852)   |
| Total Governmental Activities     | <u>\$ (1,237,712)</u> | <u>\$ 658,136</u>  | <u>(579,576)</u>   |
| General Revenues:                 |                       |  |  |
| Investment earnings               |                       |  | 735  |
| Intergovernmental revenues        |                       |  | 206,053  |
| Total General Revenues            |                       |  | <u>206,788</u>   |
| Change in Net Position            |                       |  | (372,788)  |
| Net Position - October 1, 2020    |                       |  | <u>(5,980,954)</u>   |
| Net Position - September 30, 2021 |                       |  | <u>\$ (6,353,742)</u>  |

*See accompanying notes to financial statements.*

**Portofino Isles Community Development District**  
**BALANCE SHEET –**  
**GOVERNMENTAL FUNDS**  
**September 30, 2021**

|   | <b>Governmental Funds</b> |                         |                             | <b>Total<br/>Governmental<br/>Funds</b> |
|---|---------------------------|-------------------------|-----------------------------|---|
|   | <b>General</b>            | <b>Debt<br/>Service</b> | <b>Capital<br/>Projects</b> |   |
| <b>ASSETS</b>                           |                           |                         |                             |   |
| Cash                                    | \$ 90,314                 | \$ -                    | \$ -                        | \$ 90,314                               |
| Investments                             | 667,378                   | -                       | -                           | 667,378                                 |
| Due from other funds                    | 1,775                     | -                       | -                           | 1,775                                   |
| Due from other governments              | 619                       | 2,359                   | -                           | 2,978                                   |
| Restricted assets:                      |                           |                         |                             |   |
| Investments, at fair value              | -                         | 888,216                 | 1,416                       | 889,632                                 |
| Total Assets                            | <u>\$ 760,086</u>         | <u>\$ 890,575</u>       | <u>\$ 1,416</u>             | <u>\$ 1,652,077</u>                     |
| <b>LIABILITIES AND FUND BALANCES</b>    |                           |                         |                             |   |
| <b>LIABILITIES</b>                      |                           |                         |                             |   |
| Accounts payable and accrued expenses   | \$ 15,393                 | \$ -                    | \$ -                        | \$ 15,393                               |
| Due to other funds                      | -                         | 1,775                   | -                           | 1,775                                   |
| Unearned revenues                       | 40,000                    | -                       | -                           | 40,000                                  |
| Matured principal payable               | -                         | 1,655,000               | -                           | 1,655,000                               |
| Matured interest payable                | -                         | 3,760,680               | -                           | 3,760,680                               |
| Total Liabilities                       | <u>55,393</u>             | <u>5,417,455</u>        | <u>-</u>                    | <u>5,472,848</u>                        |
| <b>FUND BALANCES</b>                    |                           |                         |                             |   |
| Restricted for capital projects         | -                         | -                       | 1,416                       | 1,416                                   |
| Unassigned                              | 704,693                   | (4,526,880)             | -                           | (3,822,187)                             |
| Total Fund Balances                     | <u>704,693</u>            | <u>(4,526,880)</u>      | <u>1,416</u>                | <u>(3,820,771)</u>                      |
| <br>Total Liabilities and Fund Balances | <u>\$ 760,086</u>         | <u>\$ 890,575</u>       | <u>\$ 1,416</u>             | <u>\$ 1,652,077</u>                     |

See accompanying notes to financial statements.

**Portofino Isles Community Development District**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**September 30, 2021**

|   |                              |
|---|------------------------------|
| Total Governmental Fund Balances  | \$ (3,820,771)               |
| Amounts reported for governmental activities in the Statement of Net Position<br>are different because:   |                              |
| Capital assets being depreciated, infrastructure, \$11,938,807, and equipment, \$8,749<br>net of accumulated depreciation, \$(6,040,450), used in governmental activities<br>are not current financial resources and therefore, are not reported at the fund level. | 5,907,106                    |
| Deferred amount on refunding, \$264,833, net of accumulated amortization, \$(93,856),<br>used in governmental activities are not current financial resources and therefore,<br>are not reported at the fund level.  | 157,389                      |
| Long-term liabilities, including bonds payable, are not due and payable in the current<br>period, and therefore, are not reported at the fund level.  | (8,380,000)                  |
| Accrued interest expense for long-term debt is not a current financial use and<br>therefore, is not reported at the fund level.   | <u>(217,466)</u>             |
| Net Position of Governmental Activities   | <u><u>\$ (6,353,742)</u></u> |

*See accompanying notes to financial statements.*

**Portofino Isles Community Development District**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2021**

|                                    | <b>Governmental Funds</b> |                         |                             | <b>Total</b>                  |
|------------------------------------|---------------------------|-------------------------|-----------------------------|-------------------------------|
|                                    | <b>General</b>            | <b>Debt<br/>Service</b> | <b>Capital<br/>Projects</b> | <b>Governmental<br/>Funds</b> |
| Revenues                           |                           |                         |                             |                               |
| Special assessments                | \$ 136,719                | \$ 521,417              | \$ -                        | \$ 658,136                    |
| Intergovernmental revenues         | 206,053                   | -                       | -                           | 206,053                       |
| Investment earnings                | 659                       | 76                      | -                           | 735                           |
| Total Revenues                     | <u>343,431</u>            | <u>521,493</u>          | <u>-</u>                    | <u>864,924</u>                |
| Expenditures                       |                           |                         |                             |                               |
| Current                            |                           |                         |                             |                               |
| General government                 | 89,083                    | 37,012                  | -                           | 126,095                       |
| Physical environment               | 119,003                   | -                       | -                           | 119,003                       |
| Capital outlay                     | 8,749                     | -                       | -                           | 8,749                         |
| Debt service                       |                           |                         |                             |                               |
| Principal                          | -                         | 435,000                 | -                           | 435,000                       |
| Interest                           | -                         | 530,730                 | -                           | 530,730                       |
| Other                              | -                         | 25,624                  | -                           | 25,624                        |
| Total Expenditures                 | <u>216,835</u>            | <u>1,028,366</u>        | <u>-</u>                    | <u>1,245,201</u>              |
| Net change in fund balances        | 126,596                   | (506,873)               | -                           | (380,277)                     |
| Fund Balances - October 1, 2020    | <u>578,097</u>            | <u>(4,020,007)</u>      | <u>1,416</u>                | <u>(3,440,494)</u>            |
| Fund Balances - September 30, 2021 | <u>\$ 704,693</u>         | <u>\$ (4,526,880)</u>   | <u>\$ 1,416</u>             | <u>\$ (3,820,771)</u>         |

*See accompanying notes to financial statements.*



**Portofino Isles Community Development District**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2021**

|  |              |
|--|--------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ (380,277) |
|--|--------------|

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

|  |           |
|--|-----------|
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation. This is the amount that depreciation, \$(426,345), exceeded capital outlay, \$8,749, in the current year. | (417,596) |
|--|-----------|

|  |         |
|--|---------|
| Repayments of bond principal are expenditures in the governmental funds and reduce long-term liabilities in the Statement of Net Position. | 435,000 |
|--|---------|

|  |          |
|--|----------|
| The deferred amount on refunding is recognized as deferred outflow of resources at the government-wide level and amortized over the life of the bonds as interest. This is the amount of amortization in the current period. | (13,588) |
|--|----------|

|   |  |
|---|--|
| In the Statement of Activities, interest is accrued on outstanding and matured bonds; whereas in governmental funds, interest expenditures are reported when due. This is the increase in accrued interest from the prior year. | <div style="border-top: 1px solid black; border-bottom: 3px double black;">3,673</div> |
|---|--|

|   |   |
|---|---|
| Change in Net Position of Governmental Activities | <div style="border-top: 1px solid black; border-bottom: 3px double black;">\$ (372,788)</div> |
|---|---|

*See accompanying notes to financial statements.*

**Portofino Isles Community Development District**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –**  
**GENERAL FUND**

**For the Year Ended September 30, 2021**

|                                    | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b>     | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|------------------------------------|----------------------------|-------------------------|-------------------|---|
| Revenues                           |                            |                         |                   |   |
| Special assessments                | \$ 175,152                 | \$ 175,152              | \$ 136,719        | \$ (38,433)   |
| Intergovernmental revenues         | 186,678                    | 186,678                 | 206,053           | 19,375  |
| Investment earnings                | -                          | -                       | 659               | 659   |
| Total Revenues                     | <u>361,830</u>             | <u>361,830</u>          | <u>343,431</u>    | <u>(18,399)</u>   |
| Expenditures                       |                            |                         |                   |   |
| Current                            |                            |                         |                   |   |
| General government                 | 127,844                    | 127,844                 | 89,083            | 38,761  |
| Physical environment               | 514,760                    | 514,760                 | 119,003           | 395,757   |
| Capital outlay                     | <u>50,000</u>              | <u>50,000</u>           | <u>8,749</u>      | <u>41,251</u>   |
| Total Expenditures                 | <u>692,604</u>             | <u>692,604</u>          | <u>216,835</u>    | <u>475,769</u>  |
| Net change in fund balances        | <u>(330,774)</u>           | <u>(330,774)</u>        | <u>126,596</u>    | <u>457,370</u>  |
| Fund Balances - October 1, 2020    | <u>414,623</u>             | <u>414,623</u>          | <u>578,097</u>    | <u>163,474</u>  |
| Fund Balances - September 30, 2021 | <u>\$ 83,849</u>           | <u>\$ 83,849</u>        | <u>\$ 704,693</u> | <u>\$ 620,844</u>   |

*See accompanying notes to financial statements.*

**Portofino Isles Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2021**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**1. Reporting Entity**

The District was established on August 22, 2002 pursuant to City of Port St. Lucie, Florida Ordinance Number 02-80 and Chapter 190, Florida Statutes. The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of the infrastructure necessary for community development within its jurisdiction. The District is authorized to issue bonds for the purpose, among others, of financing, funding, planning, establishing, acquiring, constructing or re-constructing, enlarging or extending, equipping, operating and maintaining water management, bridges or culverts, district roads, landscaping, street lights and other basic infrastructure projects within or outside the boundaries of the Portofino Isles Community Development District. The District is governed by a five-member Board of Supervisors elected at large by the property owners within the District. The District operates within the criteria established by Chapter 190, Florida Statutes.

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

Based upon the application of the above-mentioned criteria as set forth in Governmental Accounting Standards Board, the District has identified a discretely-presented component unit.

The discretely-presented component unit is a legally separate entity which did not meet the criteria for blending. The component unit is reported in separate columns to emphasize that it is legally separate from the District. The component unit of the District is as follows:

Portofino Isles Community Development District Holdings, LLC – The Company is a special purpose entity (SPE) created by certain provisions in the Trust Indentures of the Series 2005 Special Assessment Revenue Bonds for the benefit of the District and the bondholders. The Trustee of this component unit has elected not to provide the District with its financial information. The Financial information on the SPE was not available so it is not reflected as a discretely presented component unit in the accompanying financial statements.

**Portofino Isles Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2021**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2. Measurement Focus and Basis of Accounting**

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

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

**a. Government-wide Financial Statements**

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

Governmental activities are supported by developer contributions and interest. Program revenues include charges for services and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the Statement of Activities to present the net cost of each program.

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

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

**b. Fund Financial Statements**

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

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

**Portofino Isles Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2021**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2. Measurement Focus and Basis of Accounting (Continued)**

**b. Fund Financial Statements (Continued)**

**Governmental Funds**

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

The District has various policies governing the fund balance classifications.

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

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

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

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

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

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

**Portofino Isles Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2021**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2. Measurement Focus and Basis of Accounting (Continued)**

**b. Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of “available spendable resources”. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

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

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

Debt service expenditures are recorded only when payment is due.

**3. Basis of Presentation**

**a. Governmental Major Funds**

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

Debt Service Fund – Accounts for debt service requirements to retire the special assessment revenue bonds which were used, among other things, to retire the debt of the bond anticipation notes and to finance the acquisition and construction of certain master infrastructure improvements within the District.

Capital Projects Fund – The Capital Projects Fund accounts for construction of certain infrastructure improvements within the boundaries of the District.

**Portofino Isles Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2021**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3. Basis of Presentation (Continued)**

**b. Non-current Governmental Assets/Liabilities**

GASB Statement 34 requires that non-current governmental assets, such as land and buildings, and non-current governmental liabilities, such as general obligation bonds, be reported in the governmental activities column in the government-wide Statement of Net Position.

**4. Assets, Deferred Outflows of Resources, Liabilities, and Net Position or Equity**

**a. Cash and Investments**

Chapter 280, Florida Statutes require state and local governmental units to deposit monies with financial institutions classified as "Qualified Public Depositories," a multiple financial institution pool whereby groups of securities pledged by the various financial institutions provide common collateral from their deposits of public funds. This pool is provided as additional insurance to the federal depository insurance and allows for additional assessments against the member institutions, providing full insurance for public deposits.

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

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

**b. Restricted Assets**

Certain net position of the District will be classified as restricted assets on the statement of net position because their use is limited either by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors.

**Portofino Isles Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2021**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**c. Capital Assets**

Capital assets, which include infrastructure and construction in progress, are reported in governmental activities.

The District defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. The valuation basis for all assets is historical cost.

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

Depreciation of capital assets is computed and recorded by utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

|                |             |
|----------------|-------------|
| Infrastructure | 10-40 years |
| Equipment      | 7 years     |

**d. Budgets**

Budgets are prepared and adopted after public hearings for the governmental funds, pursuant to Chapter 190, Florida Statutes. The District utilizes the same basis of accounting for budgets as it does for revenues and expenditures in its various funds. Formal budgets are adopted for the general fund. The legal level of budgetary control is at the fund level. As a result, deficits in the budget variance columns of the accompanying financial statements may occur. All budgeted appropriations lapse at year end.

**e. Deferred Outflows of Resources**

Deferred outflow of resources is the consumption of net position by the government that is applicable to a future reporting period. Deferred amount on refunding is amortized using the straight-line method and recognized as a component of interest expense over the life of the bond.



**Portofino Isles Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2021**

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

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

“Total fund balances” of the District’s governmental funds, \$(3,820,771), differs from “net position” of governmental activities, \$(6,353,742), reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the Governmental Fund Balance Sheet. The effect of the differences is illustrated below.

**Capital related items**

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

|                          |                            |
|--------------------------|----------------------------|
| Infrastructure           | \$ 11,938,807              |
| Equipment                | 8,749                      |
| Accumulated depreciation | <u>(6,040,450)</u>         |
| Total                    | <u><u>\$ 5,907,106</u></u> |

**Long-term debt transactions**

Long-term liabilities applicable to the District’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities are reported in the Statement of Net Position. Balances at September 30, 2021 were:

|                                   |                              |
|-----------------------------------|------------------------------|
| Bonds payable                     | \$ (8,380,000)               |
| Deferred amount on refunding, net | <u>157,389</u>               |
| Total                             | <u><u>\$ (8,222,611)</u></u> |

**Accrued interest**

Accrued liabilities in the Statement of Net Position differ from the amount reported in governmental funds due to the accrued interest on bonds.

|                  |                            |
|------------------|----------------------------|
| Accrued interest | <u><u>\$ (217,466)</u></u> |
|------------------|----------------------------|

**Portofino Isles Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2021**

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

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

The “net change in fund balances” for government funds, \$(380,277), differs from the “change in net position” for governmental activities, \$(372,788), reported in the Statement of Activities. The differences arise primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

**Capital related items**

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balances decrease by the amount of financial resources expended, whereas net position decrease by the amount of depreciation expense charged for the year.

|                |                            |
|----------------|----------------------------|
| Capital outlay | \$ 8,749                   |
| Depreciation   | <u>(426,345)</u>           |
| Total          | <u><u>\$ (417,596)</u></u> |

**Long-term debt transactions**

Repayments of bond principal are reported as expenditures in the governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used.

|                         |                          |
|-------------------------|--------------------------|
| Bond principal payments | <u><u>\$ 435,000</u></u> |
|-------------------------|--------------------------|

Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.

|  |                           |
|--|---------------------------|
| Net change in accrued interest payable       | <u><u>\$ 3,673</u></u>    |
| Amortization of deferred amount on refunding | <u><u>\$ (13,588)</u></u> |

**Portofino Isles Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2021**

**NOTE C – CASH AND INVESTMENTS**

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

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District follows the provisions of Chapter 280, Florida Statutes regarding deposits and investments. As of September 30, 2021, the District's bank balance and the carrying value were \$90,314. Exposure to custodial credit risk was as follows. The District maintains all deposits in a qualified public depository in accordance with the provisions of Chapter 280, Florida Statutes, which means that all deposits are fully insured by Federal Depositors Insurance or collateralized under Chapter 280, Florida Statutes.

As of September 30, 2021, the District had the following investments and maturities:

| <u>Investment</u>                         | <u>Maturities</u> | <u>Fair Value</u>   |
|---|-------------------|---------------------|
| First American Government Obligation Fund | 14 days*          | \$ 410,465          |
| Fidelity Government Portfolio             | 30 days*          | 479,167             |
| Florida PRIME                             | 49 days*          | 667,378             |
| Total                                     |                   | <u>\$ 1,557,010</u> |

\*Maturity is a weighted average maturity.

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

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

Based on the criteria in the preceding paragraph, the investments in First American Government Obligation Fund and Fidelity Government Portfolio are Level 1 assets.

**Portofino Isles Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2021**

**NOTE C – CASH AND INVESTMENTS (CONTINUED)**

Investments

The District's investment policy allows management to invest funds in investments permitted under Section 218.415, Florida Statutes. The investment in Florida PRIME is measured at amortized cost. Florida PRIME has established policies and guidelines regarding participant transactions and the authority to limit or restrict withdrawals or impose a penalty for an early withdrawal. As of September 30, 2021, there were no redemption fees, maximum transaction amounts, or any other requirement that would limit daily access to 100 percent of the account value.

Interest Rate Risk

The formal investment policy of the District conforms with State statutory requirements and bond indentures for investment maturities as a means of managing its exposure to increasing interest rates.

Credit Risk

As of September 30, 2021, the District's investment in Fidelity Government Portfolio, Florida PRIME and First American Government Obligation Fund were rated AAAm by Standard & Poor's.

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one investment. The investments in First American Government Obligation Fund is 26%, Fidelity Government Portfolio is 31% and Florida PRIME is 43% of the District's total investments.

The types of deposits and investments and their level of risk exposure as of September 30, 2021 were typical of these items during the fiscal year then ended. The District considers any decline in fair value for certain investments to be temporary.

**Portofino Isles Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2021**

**NOTE D – CAPITAL ASSETS**

Capital Asset activity for the year ended September 30, 2021 was as follows:

|                                       | Balance<br>October 1,<br>2020 | Additions           | Deletions   | Balance<br>September 30,<br>2021 |
|---------------------------------------|-------------------------------|---------------------|-------------|----------------------------------|
| <u>Governmental Activities:</u>       |                               |                     |             |                                  |
| Capital Assets, Being Depreciated:    |                               |                     |             |                                  |
| Infrastructure                        | \$ 11,938,807                 | \$ -                | \$ -        | \$ 11,938,807                    |
| Equipment                             | -                             | 8,749               | -           | 8,749                            |
| Total Capital Assets, Depreciated:    | <u>11,938,807</u>             | <u>8,749</u>        | <u>-</u>    | <u>11,947,556</u>                |
| Less Accumulated Depreciation         | (5,614,105)                   | (426,345)           | -           | (6,040,450)                      |
| Total Capital Assets Depreciated, Net | <u>\$ 6,324,702</u>           | <u>\$ (417,596)</u> | <u>\$ -</u> | <u>\$ 5,907,106</u>              |

Depreciation of \$426,345 was charged to physical environment.

**NOTE E – LONG-TERM DEBT**

The following is a summary of debt activity for the District for the year ended September 30, 2021:

|                                      |                     |
|--------------------------------------|---------------------|
| Bonds payable at October 1, 2020     | \$ 8,815,000        |
| Principal payments                   | <u>(435,000)</u>    |
| Long-term Debt at September 30, 2021 | <u>\$ 8,380,000</u> |

During the year, the scheduled debt service payment for the Series 2005 Bond, \$175,000, was not paid by the District. This amount is reflected in the balance of matured bonds payable and matured interest payable in the accompanying financial statements.

District debt is comprised of the following at September 30, 2021:

**Special Assessment Revenue Bonds, Series 2005**

\$6,375,000 Series 2005 Bonds, interest at 5.6%, maturing thru May 1, 2036, payable on May 1 and November 1; collateralized by the pledged revenues of special assessments levied against the benefited property owners.

\$ 4,450,000

**Special Assessment Revenue Refunding Bonds, Series 2013**

\$5,730,000 Series 2013 Bonds, interest from 1.375% to 4.75%, maturing thru May 1, 2033, payable on May 1 and November 1; collateralized by the pledged revenues of special assessments levied against the benefited property owners.

3,930,000

Bonds Outstanding

\$ 8,380,000

**Portofino Isles Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2021**

**NOTE E – LONG-TERM DEBT (CONTINUED)**

The annual requirements to amortize the principal and interest of long term debt as of September 30, 2021 are as follows:

| Year Ending<br>September 30, | Principal           | Interest            | Total                |
|------------------------------|---------------------|---------------------|----------------------|
| 2022                         | \$ 450,000          | \$ 429,238          | \$ 879,238           |
| 2023                         | 470,000             | 408,755             | 878,755              |
| 2024                         | 495,000             | 386,675             | 881,675              |
| 2025                         | 520,000             | 362,668             | 882,668              |
| 2026                         | 545,000             | 336,738             | 881,738              |
| 2027-2031                    | 3,175,000           | 1,233,929           | 4,408,929            |
| 2032-2036                    | 2,725,000           | 391,346             | 3,116,346            |
| Totals                       | <u>\$ 8,380,000</u> | <u>\$ 3,549,349</u> | <u>\$ 11,929,349</u> |

Summary of Significant Bonds Resolution Terms and Covenants

**SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2005 AND SERIES 2013**

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

1. Reserve Funds – The 2005 and 2013 Reserve Accounts are funded from the proceeds of the Series 2005 Bonds and the Series 2013 Bonds in an amount equal to the highest remaining debt service payment. Monies held in the reserve accounts will be used only for the purposes established in the Trust Indenture.

|   | <u>Special Assessment Bonds</u> |                                |
|---|---------------------------------|--------------------------------|
|   | <u>Reserve<br/>Balance</u>      | <u>Reserve<br/>Requirement</u> |
| Special Assessment Revenue Bonds, Series 2005           | \$ 423                          | \$ 421,245                     |
| Special Assessment Revenue Refunding Bonds, Series 2013 | \$ 216,082                      | \$ 215,831                     |

The District did not make the scheduled principal and interest payments in the current year and the Special Assessment Bonds, Series 2005 remain in default for this bond series.

**NOTE F – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no claims or settled claims during the past three years.

**Portofino Isles Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2021**

**NOTE G – DEFICIT FUND BALANCE**

The Debt Service Fund had a deficit fund balance of \$(4,526,880) at September 30, 2021. The District is working with the SPE and the bondholders to cover the deficit balance.

**NOTE H – ECONOMIC DEPENDENCY**

The District's activity is dependent upon the continued involvement of the Bondholders who control the trust estate and the SPE.

**NOTE I – INTERLOCAL AGREEMENTS**

In consideration of the District providing stormwater maintenance services to the residents of the District, the City of Port Saint Lucie ("the City") agrees to pay the District an amount equal to 75% of the stormwater fees collected by the City from within the District boundaries and the adjacent lands. Payments will be made annually on or before the 16th of each March for those fees collected by the City by March 15th. After March 15th, payment shall be made monthly as fees are collected by the City. Pursuant to this agreement, the District collected \$206,053 during the current fiscal year.



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## **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 GOVERNMENT AUDITING STANDARDS**

To the Board of Supervisors  
Portofino Isles Community Development District  
City of Port St. Lucie, 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 Portofino Isles Community Development District, as of and for the year ended September 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated August 11, 2022.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Portofino Isles Community Development District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Portofino Isles Community Development District's internal control. Accordingly, we do not express an opinion on the effectiveness of Portofino Isles Community Development District's internal control.

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

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





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

Board of Supervisors  
Portofino Isles Community Development District

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Portofino Isles Community Development District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Portofino Isles Community Development District in a separate letter dated August 11, 2022.

### **Purpose of this Report**

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

*Berger Toombs Elam  
Gaines & Frank*

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

August 11, 2022



# Berger, Toombs, Elam, Gaines & Frank

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## MANAGEMENT LETTER

To the Board of Supervisors  
Portofino Isles Community Development District  
City of Port St. Lucie, Florida

### Report on the Financial Statements

We have audited the financial statements of the Portofino Isles Community Development District as of and for the year ended September 30, 2021, and have issued our report thereon dated August 11, 2022.

### Auditor's Responsibility

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

### Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated August 11, 2022, 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 financial audit report. The current status of the prior year findings is as follows:

#### 2014-01, 2015-01, 2016-01

The debt service fund continues to maintain a deficit fund balance, \$(4,526,880), at September 30, 2021. The special assessments associated with the Series 2005 Bonds have not been collected since 2010 and therefore after the reserve fund was depleted, there have not been funds available to make the required debt service payments. The Series 2005 Bonds are considered in default and in accordance with the bond indenture an SPE was established in a prior year to own, manage, maintain and dispose of certain property associated with the delinquent Series 2005 Bond special assessments.



To the Board of Supervisors  
Portofino Isles Community Development District

**Management Response:**

The deteriorating financial condition of the District is due to annual assessments not being paid by certain property owner(s) within the District. The property has been conveyed to a SPE in lieu of foreclosure to own, manage, maintain and dispose of the property in an orderly and efficient manner. The SPE has agreed to provide the necessary funding to pay the operating expenditures of the District and the District has agreed to defer the collection of Capital Assessments encumbering the Property. The District has determined this course of action is the most appropriate way to alleviate the deteriorating financial condition. In addition, the "deteriorating financial condition of the District" should be limited solely to the special assessment bonds issued by the District in 2005 to fund infrastructure improvements for the Portofino Court Project (the "Series 2005 Bonds"), and not to the District as a whole. This position is based, in part, on the provisions of the Master Trust Indenture relating to the Series 2005 Bonds (the "Master Trust Indenture") and the SPE Agreement entered into between the District and the SPE.

It is important to emphasize that the Series 2005 Bonds are not general obligation bonds of the District. They are special assessment bonds secured solely by the special assessments levied against the property in the Portofino Court Project where the District assessments were in default and being foreclosed. Thus, no other revenue or assets of the District are pledged toward the payment of debt service on the Series 2005 Bonds. The 2013 Refunding Bonds issued by the District, which are not in default, relate to the Newport Isles portion of the District and are totally unrelated to the Series 2005 Bonds. Moreover, the District is bound by the SPE Agreement not to pursue the collection of special assessments on the Portofino Court property (the only source of pledged revenues to pay debt service on the Series 2005 Bonds) until further direction of the Majority Owner of the Series 2005 Bonds. Thus, the District has been effectively precluded by the bondholders themselves from pursuing any attempt to collect funds from the only source of revenue legally available to pay debt service on the Series 2005 Bonds.

**Current Status:**

The District did not make the required debt service payments on the Series 2005 Bond during the fiscal year ended September 30, 2021.

**Financial Condition and Management**

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not Portofino Isles Community Development District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the Portofino Isles Community Development District did meet one of the conditions described in Section 218.503(1), Florida Statutes in that the District did not make certain scheduled debt service payments and did not meet debt service reserve requirements.



To the Board of Supervisors  
Portofino Isles Community Development District

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

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

### **Specific Information**

The information provided below was provided by management and has not been audited; therefore, we do not express an opinion or provide any assurance on the information.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the Portofino Isles Community Development District reported:

- 1) The total number of district employees compensated in the last pay period of the District's fiscal year: 0
- 2) The total number of independent contractors to whom nonemployee compensation was paid in the last month of the District's fiscal year: 0
- 3) All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency: N/A
- 4) All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency: N/A
- 5) Each construction project with a total cost of at least \$65,000 approved by the District that is scheduled to begin on or after October 1, 2020, together with the total expenditures for such project: The District had no construction projects during the year.
- 6) A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the District amends a final adopted budget under Section 189.016(6), Florida Statutes: The budget was not amended.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)8, Rules of the Auditor General, the Portofino Isles Community Development District reported:

- 7) The rate or rates of non-ad valorem special assessments imposed by the District: General Fund, \$175.12 and Debt Service Fund, \$578.98 - \$1,563.40.
- 8) The amount of special assessments collected by or on behalf of the District: Total special assessments collected was \$658,136.
- 9) The total amount of outstanding bonds issued by the District and the terms of such bonds: Series 2005, \$6,105,000 and Series 2013, \$3,930,000.



To the Board of Supervisors  
Portofino Isles Community Development District

### **Additional Matters**

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

### **Purpose of this Letter**

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

*Berger Toombs Elam  
Gaines & Frank*

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

August 11, 2022



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

To the Board of Supervisors  
Portofino Isles Community Development District  
City of Port St. Lucie, Florida

We have examined Portofino Isles Community Development District's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2021. Management is responsible for Portofino Isles Community Development District's compliance with those requirements. Our responsibility is to express an opinion on Portofino Isles Community Development District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Portofino Isles Community Development District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Portofino Isles Community Development District's compliance with the specified requirements.

In our opinion, Portofino Isles Community Development District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2021.

*Berger Toombs Elam  
Gaines & Frank*

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

August 11, 2022