



Sunbridge Stewardship District

FINANCIAL STATEMENTS

September 30, 2022



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INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
Sunbridge Stewardship District
Osceola, Florida

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sunbridge Stewardship District (hereinafter referred to as "District"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of September 30, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budget to actual comparison information on pages 4 - 8 and 25 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our

inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2023, on our consideration of the District's internal control over financial reporting and 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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
July 17, 2023

Management's Discussion And Analysis

Sunbridge Stewardship District Management's Discussion and Analysis

Our discussion and analysis of the Sunbridge Stewardship District's financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2022. Please read it in conjunction with the District's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- At September 30, 2022, the liabilities of the District exceeded its assets by approximately \$17.5 million (deficit net position).
- During the year ended September 30, 2022, the District issued Series 2022 Special Assessment Revenue bonds totaling approximately \$38.2 million and paid for constructed infrastructure totaling approximately \$15.8 million.
- During the year ended September 30, 2022, the District conveyed infrastructure totaling approximately \$22.5 million, primarily in connection with the sale of the utility systems.

USING THE ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities on pages 9 – 10 provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 11. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

Reporting the District as a Whole

Our analysis of the District as a whole begins on page 5. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and related changes during the current year. You can think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors; however, such as changes in the District's assessment base and the condition of the District's infrastructure, to assess the overall health of the District.

Sunbridge Stewardship District Management's Discussion and Analysis

Reporting the District's Most Significant Funds

Our analysis of the District's major funds begins on page 7. The fund financial statements begin on page 11 and provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants. All of the District's funds are governmental fund-types.

- *Governmental funds* – All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

THE DISTRICT AS A WHOLE

The following table reflects the condensed Statement of Net Position and is compared to the prior year.

<i>September 30,</i>	2022	2021	Change
Assets			
Current and other assets	\$ 24,633,699	\$ 1,958,725	\$ 22,674,974
Capital assets, net	-	6,664,004	(6,664,004)
Total assets	\$ 24,633,699	\$ 8,622,729	\$ 16,010,970
Liabilities			
Current liabilities	\$ 900,942	\$ 250,911	\$ 650,031
Non-current liabilities	41,264,785	1,926,135	39,338,650
Total liabilities	42,165,727	2,177,046	39,988,681
Net position			
Net investment in capital assets	-	6,664,004	(6,664,004)
Restricted for capital projects	116,543	-	116,543
Unrestricted	(17,648,571)	(218,321)	(17,430,250)
Total net position	(17,532,028)	6,445,683	(23,977,711)
Total liabilities and net position	\$ 24,633,699	\$ 8,622,729	\$ 16,010,970

For more detailed information, see the accompanying Statement of Net Position.

Sunbridge Stewardship District Management's Discussion and Analysis

During fiscal year ended September 30, 2022, total assets and liabilities increased by approximately \$16 million and \$40 million, respectively. The increase in assets and liabilities is primarily due to the issuance of the Series 2022 Special Assessment Revenue bonds, the related purchase of infrastructure from the Developer, and the conveyance of infrastructure to outside governmental entities and utilities.

The following schedule compares the Statement of Activities for the current and previous fiscal year.

<i>For the year ended September 30,</i>	2022	2021	Change
Revenue:			
Program revenue:			
Charges for services	\$ 1,033,882	\$ 484,408	\$ 549,474
Grants and contributions	119,496	21,003	98,493
Capital asset conveyance	-	6,664,004	(6,664,004)
General revenue:			
Miscellaneous revenue	-	131	(131)
Total revenue	1,153,378	7,169,546	(6,016,168)
Expenses:			
General government	218,077	157,283	60,794
Maintenance and operations	1,053,509	381,494	672,015
Bond issuance costs	1,008,358	-	1,008,358
Interest	336,784	-	336,784
Capital asset conveyance	22,514,361	-	22,514,361
Total expenses	25,131,089	538,777	24,592,312
Change in net position	(23,977,711)	6,630,769	(30,608,480)
Net position (deficit), beginning of year	6,445,683	(185,086)	6,630,769
Net position, end of year	\$ (17,532,028)	\$ 6,445,683	\$ (23,977,711)

For more detailed information, see the accompanying Statement of Activities.

Revenue decreased from the prior year by approximately \$6 million, while expenses increased by approximately \$24.6 million. Revenue decreased primarily due to the conveyance of infrastructure from the Developer to the District in the prior year. The increase in expenses is primarily due to conveyance of infrastructure to the County and in connection with the sale of the utility systems as well as an increase in bond issuance costs. The overall result was a \$23,977,711 decrease in net position for fiscal year 2022.

Sunbridge Stewardship District Management's Discussion and Analysis

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 11) reported a combined fund balance of approximately \$20.9 million. Significant transactions are discussed below:

- During the year ended September 30, 2022, the District issued Series 2022 Special Assessment Revenue bonds totaling approximately \$38.2 million and paid for constructed infrastructure totaling approximately \$15.8 million.

The overall increase in fund balance for the year ended September 30, 2022 totaled approximately \$21.1 million.

CAPITAL ASSET AND ADMINISTRATION

Capital Assets

At September 30, 2022, the District had \$0 invested in capital assets. This amount represents a decrease of approximately \$6.7 million from the fiscal year 2021 total. A listing of capital assets for the current and prior year follows:

<i>September 30,</i>	2022	2021	Change
Capital assets not being depreciated	\$ -	\$ 1,048,684	\$ (1,048,684)
Capital assets being depreciated	-	5,615,320	(5,615,320)
Total capital assets, net	\$ -	\$ 6,664,004	\$ (6,664,004)

More information about the District's capital assets are presented in Note 3 to the financial statements.

Debt

At September 30, 2022, the District had approximately \$38.2 million of bonds outstanding. This amount represents an increase of \$38.2 million from the fiscal year 2021 total.

A listing of debt amounts outstanding for the current and prior year is as follows:

<i>September 30,</i>	2022	2021	Change
Special Assessment Revenue Bonds:			
Series 2022	\$ 38,160,000	\$ -	\$ 38,160,000
Total	\$ 38,160,000	\$ -	\$ 38,160,000

Sunbridge Stewardship District Management's Discussion and Analysis

More information about the District's long-term debt is presented in Note 4 to the financial statements.

GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS

An Operating budget was established by the governing board for the District pursuant to the requirements of Florida Statutes. The budget to actual comparison for the General Fund, including the original budget and final adopted budget, is shown at page 25.

The District experienced an unfavorable variance in revenue and a favorable variance in expenditures of approximately \$2,300 and \$49,000, respectively, as compared to the budget. The variance in expenditures occurred primarily due to anticipated professional service expenditures that were not incurred during the year.

FUTURE FINANCIAL FACTORS

Sunbridge Stewardship District is an independent special district that operates under the provisions of Chapter 189, Florida Statutes, and Chapter 2017-220, Laws of Florida. The District operates under an elected Board of Supervisors, which establishes policy and sets assessment rates.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. If you have questions about this report or need additional financial information, contact the Sunbridge Stewardship District's management company at 3501 Quadrangle Blvd., Suite 270, Orlando, Florida 32817.

Basic Financial Statements

**Sunbridge Stewardship District
Statement of Net Position**

<i>September 30,</i>	2022
	Governmental Activities
Assets	
Cash and cash equivalents	24,444,600
Accounts receivable, net	179,877
Prepaid expenses	8,982
Deposits	240
<hr/>	
Total assets	24,633,699
<hr/>	
Liabilities	
Accounts payable	341,517
Accrued interest payable	336,204
Due to developer	150,000
Other liabilities	73,221
Due to related party	3,163,650
Non-current liabilities:	
Due within one year	565,000
Due in more than one year	37,536,135
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Total liabilities	42,165,727
<hr/>	
Net Position	
Restricted for capital projects	116,543
Unrestricted	(17,648,571)
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Total net position (deficit)	\$ (17,532,028)
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The accompanying notes are an integral part of these financial statements.

**Sunbridge Stewardship District
Statement of Activities**

For the year ended September 30,

2022

Functions/Programs	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	<u>Net (Expense) Revenue and Changes in Net Position</u>
Primary government:					
Governmental activities:					
General government	\$ (218,077)	\$ 413,737	\$ 44,197	\$ 239,857	\$ 239,857
Maintenance and operations	(1,053,509)	620,145	75,299	(358,065)	(358,065)
Bond issuance costs	(1,008,358)	-	-	(1,008,358)	(1,008,358)
Interest	(336,784)	-	-	(336,784)	(336,784)
Capital asset conveyance	(22,514,361)	-	-	(22,514,361)	(22,514,361)
Total governmental activities	\$(25,131,089)	\$ 1,033,882	\$ 119,496	(23,977,711)	(23,977,711)
Net position - beginning of year					6,445,683
Net position (deficit) - end of year					\$ (17,532,028)

The accompanying notes are an integral part of these financial statements.

Sunbridge Stewardship District Balance Sheet – Governmental Funds

September 30,

2022

					Total
	General Fund	Capital Projects Fund	Utility Fund	Non-major Fund	Governmental Funds
Assets					
Cash and cash equivalents	\$ 71,026	19,623,338	\$ 2,990,380	\$ 1,759,856	\$ 24,444,600
Accounts receivable, net	1,152	32,188	144,367	2,170	179,877
Prepaid expenses	8,982	-	-	-	8,982
Deposits	240	-	-	-	240
Total assets	\$ 81,400	\$ 19,655,526	\$ 3,134,747	\$ 1,762,026	\$ 24,633,699
Liabilities and Fund Balance					
Liabilities					
Accounts payable	\$ 8,966	\$ 92,162	\$ 240,389	\$ -	\$ 341,517
Due to developer	-	-	150,000	-	150,000
Other liabilities	-	-	73,221	-	73,221
Due to related party	-	-	3,163,650	-	3,163,650
Total liabilities	8,966	92,162	3,627,260	-	3,728,388
Fund balances					
Nonspendable	9,222	-	-	-	9,222
Restricted for debt service	-	-	-	1,762,026	1,762,026
Restricted for capital projects	-	19,563,364	-	-	19,563,364
Unassigned	63,212	-	(492,513)	-	(429,301)
Total fund balances (deficit)	72,434	19,563,364	(492,513)	1,762,026	20,905,311
Total liabilities and fund balances	\$ 81,400	\$ 19,655,526	\$ 3,134,747	\$ 1,762,026	\$ 24,633,699

The accompanying notes are an integral part of these financial statements.

Sunbridge Stewardship District
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of
Net Position

<i>September 30,</i>	2022
Total fund balances, governmental funds	\$ 20,905,311
Liabilities, not due and payable from current resources, including accrued interest, are not reported in the fund financial statements.	(38,437,339)
Total net position (deficit) - governmental activities	\$ (17,532,028)

The accompanying notes are an integral part of these financial statements.

Sunbridge Stewardship District
Statement of Revenue, Expenditures and Changes In Fund Balance –
Governmental Funds

For the year ended September 30,

2022

	General Fund	Capital Projects Fund	Utility Fund	Non-major Fund	Total Governmental Funds
Revenue					
Assessments	\$ 413,737	\$ -	\$ -	\$ -	\$ 413,737
Developer contributions	-	85,967	-	-	85,967
Charges for services	-	41,244	620,145	2,953	664,342
Total revenue	413,737	127,211	620,145	2,953	1,164,046
Expenditures					
Current:					
General government	143,533	35,946	-	-	179,479
Maintenance and operations	213,177	-	878,930	-	1,092,107
Debt service:					
Bond issue costs	-	435,958	-	572,400	435,958
Capital outlay	-	15,850,357	-	-	15,850,357
Total expenditures	356,710	16,322,261	878,930	572,400	17,557,901
Excess (deficit) of revenue over expenditures	57,027	(16,195,050)	(258,785)	(569,447)	(16,966,255)
Other Financing Sources (Uses)					
Bond issuance proceeds	-	35,769,082	-	2,390,918	38,160,000
Discount on bond issuance	-	-	-	(59,445)	(59,445)
Total other financing sources (uses)	-	35,769,082	-	2,331,473	38,100,555
Net change in fund balances	57,027	19,574,032	(258,785)	1,762,026	21,134,300
Fund balances (deficit), beginning of year	15,407	(10,668)	(233,728)	-	(228,989)
Fund balances (deficit), end of year	\$ 72,434	\$ 19,563,364	\$ (492,513)	\$ 1,762,026	\$ 20,905,311

The accompanying notes are an integral part of these financial statements.

Sunbridge Stewardship District
Reconciliation of the Statement of Revenue, Expenditures and Changes
In Fund Balance of Governmental Funds to the Statement of Activities

<i>For the year ended September 30,</i>	2022
Net change in fund balances - governmental funds	\$ 21,134,300
The conveyance of capital assets has no impact on the fund level financial statements but is treated as revenue in the government-wide Statement of Activities.	(22,514,361)
Capital outlay, reported as expenditures in the governmental funds, is shown as capital assets on the Statement of Net Position.	15,850,357
Bond proceeds which are reported as other financing source in the governmental funds are recognized as long-term liabilities in the Statement of Net Position.	(38,160,000)
Certain revenue that did not represent current financial resources in the prior year were deferred in the fund level financials but were recognized as revenue in the governmentwide financial statements.	(10,668)
Governmental funds report the effects of the bond issue discount when debt is first issued, whereas the discount is included in non-current liabilities on the Statement of Net Position and amortized over the life of the bonds.	59,445
Bond discount amortization is not recognized in the fund financial statements but is reported as an expense in the Statement of Activities.	(580)
The change in accrued interest between the current and prior year is recorded on the Statement of Activities but not on the fund financial statements.	(336,204)
Change in net position of governmental activities	\$ (23,977,711)

The accompanying notes are an integral part of these financial statements.

Sunbridge Stewardship District Notes to Financial Statements

NOTE 1: NATURE OF ORGANIZATION

The Sunbridge Stewardship District (the "District") was established on June 6, 2017 pursuant to Chapter 189, Florida Statutes, by Chapter 2017-220, Laws of Florida. The Act provides among other things, the power to manage basic services for community development, power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

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

The District is governed by a Board of Supervisors ("Board"), which is comprised of five members. The Supervisors are elected on an at large basis by the owners of the property within the District. Certain supervisors are affiliated with Tavistock East Services, LLC (the "Developer"). The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 2017-220, Laws of Florida.

The Board has the final responsibility for:

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

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth by Generally Accepted Accounting Principles (GAAP) as defined by the Governmental Accounting Standards Board (GASB). Based on the criteria identified therein, no potential component units were found.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to GAAP as applicable to governments in accordance with those promulgated by GASB. The following is a summary of the more significant policies:

Sunbridge Stewardship District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by assessments, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The business-type activities are reported separately in government-wide financial statements; however, at September 30, 2022, the District did not have any significant business-type activities. Therefore, no business-type activities are reported. Assessments and other items not properly included as program revenues (i.e., charges to customers or applicants who purchase, use, or directly benefit from goods or services) are reported as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Basis of Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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.

Assessments are non ad-valorem special assessments imposed on all lands located within the District and benefited by the District's activities, operation, and maintenance. Assessments are levied and certified for collection by the District prior to the start of the fiscal year, which begins October 1st and ends on September 30th. Operation and maintenance special assessments are imposed upon all benefited lands located in the District.

Sunbridge Stewardship District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assessments, developer contributions, utility charges and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in other funds.

Capital Projects Fund – The Capital Projects Fund is used to account for the financial resources to be used in the acquisition or construction of major infrastructure within the District.

Utility Fund – The Utility Fund is used to account for the operations that provide water, sewer, and irrigation utilities within the District.

For the year ended September 30, 2022, the District does not report any proprietary funds.

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

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use in the governmental fund financial statements, it is the government's policy to use committed resources first, followed by assigned resources, then unassigned resources as needed.

Cash, Deposits and Investments

The District maintains deposits with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. All Qualified Public Depositories must place with the Treasurer of the State of Florida securities in accordance with collateral requirements determined by the State's Chief Financial Officer. In the event of default by a Qualified Public Depository, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories.

Under this method, all the District's deposits are fully insured or collateralized at the highest level of security as defined by GASB, Statement Number 40, *Deposits and Investment Disclosures (An Amendment of GASB, Statement Number 3)*.

**Sunbridge Stewardship District
Notes to Financial Statements**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District is authorized to invest in financial instruments as established by Section 218.415, Florida Statutes. The authorized investments include among others negotiable direct or indirect obligations which are secured by the United States Government; the Local Government Surplus Trust Funds as created by Section 218.405, Florida Statutes; SEC registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and interest-bearing time deposits or savings accounts in authorized financial institutions.

Capital Assets

Capital assets, which include primarily infrastructure assets (e.g., roads, sidewalks, water management systems and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial/individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost and estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Asset</u>	<u>Years</u>
Infrastructure	25

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.

Receivables

Revenues receivable are reflected net of an allowance for doubtful accounts. For the Utility Fund, the amount of the allowance approximates accounts receivable in excess of 90 days past due.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Sunbridge Stewardship District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position and Balance Sheet – Governmental Funds will sometimes include a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any of this type of item at September 30, 2022.

In addition to liabilities, the Statement of Net Position and Balance Sheet – Governmental Funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any of this type of item at September 30, 2022.

Fund Equity

Net position in the government-wide financial statements is categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net position related to infrastructure and property, plant and equipment, net of any related debt. Restricted net position represents net position restricted by outside entities.

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the District board through approval of resolutions. Assigned fund balance is a limitation imposed by a designee of the District board. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes.

Budgets

The District is required to establish a budgetary system and an approved annual budget. Annual budgets are legally adopted on a basis consistent with GAAP for the General Fund. Any revision to the budget must be approved by the District Board. The budgets are compared to actual expenditures. In instances where budget appropriations and estimated revenues have been revised during the year, budget data presented in the financial statements represent final authorization amounts.

Sunbridge Stewardship District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- A. Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- B. A public hearing is conducted to obtain comments.
- C. Prior to October 1, the budget is legally adopted by the District Board.
- D. All budget changes must be approved by the District Board.
- E. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued, July 17, 2023 and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

NOTE 3: CAPITAL ASSETS

The following is a summary of changes in the capital assets for the year ended September 30, 2022:

	Beginning Balance	Additions	Subtractions	Ending Balance
Governmental activities:				
<i>Capital assets, not being depreciated</i>				
Land	\$1,048,684	\$ -	\$ (1,048,684)	\$ -
Construction in progress	-	15,850,357	(15,850,357)	-
Total capital assets not being depreciated	1,048,684	15,850,357	(16,899,041)	-
<i>Capital assets being depreciated</i>				
Infrastructure	5,615,320	-	(5,615,320)	-
Total capital assets being depreciated	5,615,320	-	(5,615,320)	-
Governmental activities capital assets	\$6,664,004	\$15,850,357	\$(22,514,361)	\$ -

**Sunbridge Stewardship District
Notes to Financial Statements**

NOTE 4: BONDS PAYABLE

On June 17, 2022, the District issued \$14,130,000 of Special Assessment Revenue Bonds, Series 2022, consisting of \$1,120,000 2022 Term Bonds due May 1, 2027 with a fixed interest rate of 4.5%, \$1,415,000 2022 Term Bonds due May 1, 2032 with a fixed interest rate of 5.05%, \$4,250,000 2022 Term Bonds due May 1, 2042 with a fixed interest rate of 5.4%, and \$7,345,000 2022 Term Bonds due May 1, 2052 with a fixed interest rate of 5.5%. The Bonds were issued to finance the acquisition and construction of certain improvements for the Dell Webb project phases 1 and 2. Interest is due semiannually on each May 1 and November 1. Principal on the Series 2022 Bonds is due serially commencing on May 1, 2023 through May 1, 2052.

On August 18, 2022, the District issued \$24,030,000 of Special Assessment Revenue Bonds, Series 2022, consisting of \$1,985,000 2022 Term Bonds due May 1, 2027 with a fixed interest rate of 4.2%, \$2,470,000 2022 Term Bonds due May 1, 2032 with a fixed interest rate of 4.6%, \$7,260,000 2022 Term Bonds due May 1, 2042 with a fixed interest rate of 5.2%, and \$12,315,000 2022 Term Bonds due May 1, 2052 with a fixed interest rate of 5.35%. The Bonds were issued to finance the acquisition and construction of certain improvements for the Weslyn Park project. Interest is due semiannually on each May 1 and November 1. Principal on the Series 2022 Bonds is due serially commencing on May 1, 2023 through May 1, 2052.

The Bond Indentures have certain restrictions and requirements relating principally to the use of proceeds to pay for infrastructure improvements and the procedure to be followed by the District on assessments to property owners. The District agreed to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the debt service reserve requirements. The District is in compliance with the requirements of the Bond Indentures.

The Bond Indentures require that the District maintain adequate funds in the reserve accounts to meet the debt service reserve requirements as defined in the Indentures. These requirements have been met for the fiscal year ended September 30, 2022.

Long-term liability activity for the year ended September 30, 2022 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities</i>					
Bonds Payable:					
Series 2022 - Dell Webb	\$ -	\$ 14,130,000	\$ -	\$ 14,130,000	\$ 200,000
Series 2022 - Weslyn Park	-	24,030,000	-	24,030,000	365,000
	\$ -	\$ 38,160,000	\$ -	\$ 38,160,000	\$ 565,000

**Sunbridge Stewardship District
Notes to Financial Statements**

NOTE 4: BONDS PAYABLE (Continued)

The balance of the long-term bonds at September 30, 2022 is summarized as follows:

	2022
Bond principal balance	\$ 38,160,000
Less unamortized bond discount	(58,865)
	\$ 38,101,135

At September 30, 2022, the scheduled debt service requirements on bonds payable were as follows:

<i>For the Year Ending September 30,</i>	Principal	Interest	Total Debt Service
2023	\$ 565,000	\$ 1,477,940	\$ 2,042,940
2024	595,000	1,963,658	2,558,658
2025	620,000	1,938,023	2,558,023
2026	650,000	1,911,308	2,561,308
2027	675,000	1,883,303	2,558,303
2028 - 2032	3,885,000	8,919,948	12,804,948
2033 - 2037	5,005,000	7,849,058	12,854,058
2038 - 2042	6,505,000	6,378,978	12,883,978
2043 - 2047	8,510,000	4,443,520	12,953,520
2048 - 2052	11,150,000	1,873,795	13,023,795
	\$ 38,160,000	\$ 38,639,531	\$ 76,799,531

NOTE 5: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District maintains commercial insurance coverage to mitigate the risk of loss. Coverage may not extend to all situations. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in the previous three years.

NOTE 6: MANAGEMENT COMPANY

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

Sunbridge Stewardship District Notes to Financial Statements

NOTE 7: RELATED PARTY TRANSACTIONS

A significant portion of the District's activity is dependent upon the continued involvement of the Developer, Tavistock East Services, LLC, the loss of which could have a material adverse effect on the District's operations.

During the current year, the Developer contributed \$499,704 to the District, of which \$85,967 is reported as Developer contributions and \$413,737 are reported as operations and maintenance off-roll assessments on the Statement of Activities and Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds.

At September 30, 2022, the District was owed a receivable of \$144,367 from the Developer, which is included in the total accounts receivable balance on the Statement of Net Position and the Balance Sheet – Governmental Fund; and the District owed \$150,000 to the Developer, which is recorded as Due to developer on the Statement of Net Position and Balance Sheet – Governmental Funds.

In October 2019, the District and Tavistock East II, LLC (TE II), a subsidiary of the Developer, entered into a Wholesale Water, Wastewater and Reclaimed Water Service Agreement (the "Wholesale Agreement"). In accordance with the agreement, TE II was authorized to construct Utility Facilities based on the condition that TE II shall convey the Utility Facilities to the District. The District subsequently was to convey the Utility Facilities to the Tohopekaliga Water Authority ("TWA") in return for "system development charge credits", which are credits against future payments of connection charges which TWA otherwise would collect from the District prior to providing services. During the year ended September 30, 2022, the District purchased completed infrastructure from the Developer totaling approximately \$15.8 million.

During the fiscal year ended September 30, 2022, the District collected system development charges as a part of initial installation fees, which will be used to compensate TE II for costs of development and construction of the Utility Facilities. Such fees totaled approximately \$1.2 million in the fiscal year ended September 30, 2022. A total liability of \$3,163,650 is included in Due to related party on the Statement of Net Position and the Balance Sheet – Governmental Funds.

In October 2019, the District and TE II entered into a Utility Services Agreement ("USA"). In accordance with this agreement, TE II will provide management, operations, maintenance, customer service and billing services required to operate the District's water and wastewater system. The annual base fee for such services is approximately \$175,000. These fees are included in the total maintenance and operations expenditures on the Statement of Activities and the Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds. Upon expiration of the initial term of the agreement, this agreement shall automatically be renewed for an additional ten year term.

Sunbridge Stewardship District Notes to Financial Statements

NOTE 8: UTILITY SYSTEM CONVEYANCE

During the fiscal year ended September 30, 2022, the District negotiated an accelerated conveyance of the retail water, wastewater, and reclaimed water systems to TWA. Under this agreement, all user customers became TWA customers subject to their rates, fees, and policies. The agreement was finalized in August 2022. On the closing date of the agreement, the District transferred all of its retail utility facilities to TWA. This is reflected as a conveyance of capital assets totaling \$22.5 million during the fiscal year ended September 30, 2022. Moving forward, the District will not be collecting system development charges, water and sewer revenue or other fees or paying expenses related to water and wastewater.

In December 2022, approximately \$2.8 million was transferred from the Utility fund to the General fund, which was subsequently paid to the Developer to close out the Utility fund, including amounts due to developer as well as those held for system development charges and customer deposits.

**Required Supplemental Information
(Other Than MD&A)**

Sunbridge Stewardship District
Budget to Actual Comparison Schedule – General Fund

For the year ended September 30,

2022

	Original and Final Budget	Actual Amounts	Variance with Final Budget
Revenue			
Assessments	\$ 416,010	\$ 413,737	\$ (2,273)
Total revenue	416,010	413,737	(2,273)
Expenditures			
General government	198,110	143,533	54,577
Maintenance and operations	207,900	213,177	(5,277)
Total expenditures	406,010	356,710	49,300
Excess of revenue over expenditures	\$ 10,000	\$ 57,027	\$ 47,027

**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
Sunbridge Stewardship District
Osceola, 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, each major fund and the aggregate remaining fund information of Sunbridge Stewardship District (hereinafter referred to as the "District"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 17, 2023.

Report on 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 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida

July 17, 2023



Carr, Riggs & Ingram, LLC
Certified Public Accountants
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MANAGEMENT LETTER

To the Board of Supervisors
Sunbridge Stewardship District
Osceola, Florida

Report on the Financial Statements

We have audited the financial statements of Sunbridge Stewardship District (“District”) as of and for the fiscal year ended September 30, 2022, and have issued our report thereon dated July 17, 2023.

Auditors' Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditors' 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 Independent Accountants' 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 these reports, which are dated July 17, 2023, 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 audit report.

Official Title and Legal Authority

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

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the District met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the 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.

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

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.

Specific Information

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

- a. The total number of district employees compensated in the last pay period of the district's fiscal year as 0.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year as 3.
- c. All compensation earned by or awarded to employees whether paid or accrued, regardless of contingency as \$0.
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$193,599.
- e. The District does not have any construction projects with a total cost of at least \$65,000 that are scheduled to begin on or after October 1 of the fiscal year being reported.
- f. The District did not amend its final adopted budget under Section 189.016(6), Florida Statutes.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)7, Rules of the Auditor General, the Sunbridge Stewardship District reported:

- a. The rate or rates of non-ad valorem special assessments imposed by the District as ranging from \$915 to \$2,357 per lot.
- b. The total amount of special assessments collected by or on behalf of the District as

\$413,737.

- c. The total amount of outstanding bonds issued by the District as \$38,160,000.

Additional Matters

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

Purpose of this Letter

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

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
July 17, 2023



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INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Supervisors
Sunbridge Stewardship District
Osceola, Florida

We have examined Sunbridge Stewardship District's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2022. Management of the District is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and performed the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2022.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
July 17, 2023