

**Zephyr Ridge Community  
Development District**

**ANNUAL FINANCIAL REPORT**

**September 30, 2019**

**Zephyr Ridge Community Development District  
ANNUAL FINANCIAL REPORT**

**September 30, 2019**

**TABLE OF CONTENTS**

	<u>Page Number</u>
REPORT OF INDEPENDENT AUDITORS	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-9
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds	12
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	16
Notes to Financial Statements	17-28
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	29-31
MANAGEMENT LETTER	32-34
INDEPENDENT ACCOUNTANT'S REPORT/COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES	35



# Berger, Toombs, Elam, Gaines & Frank

Certified Public Accountants PL

600 Citrus Avenue  
Suite 200  
Fort Pierce, Florida 34950

772/461-6120 // 461-1155  
FAX: 772/468-9278

## REPORT OF INDEPENDENT AUDITORS

To the Board of Supervisors  
Zephyr Ridge Community Development District  
Pasco County, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of Zephyr Ridge Community Development District as of and for the year ended September 30, 2019, and the related notes to financial statements, which collectively comprise the 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

To the Board of Supervisors  
Zephyr Ridge Community Development District

### Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Aggregate Discretely Presented Component Unit	Adverse
General Fund	Unmodified
Debt Service Fund	Unmodified
Capital Project Fund	Unmodified

### Basis for Adverse Opinion on the Discretely Presented Component Unit

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 unit 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 Unit", the financial statements referred to above do not present fairly, the financial position of the discretely presented component unit of the District as of September 30, 2019, 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 Unit" 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, 2019, 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 above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of September 30, 2019, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Supervisors  
Zephyr Ridge 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 and budgetary comparison be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board* who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with governmental auditing standards generally accepted in the United States of America, which consisted principally of inquires 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 February 11, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations 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 Zephyr Ridge 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

February 11, 2020

**Zephyr Ridge Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2019**

Management's discussion and analysis of Zephyr Ridge Community Development District's (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 is reported in three categories; 1) net investment in capital assets, 2) restricted, and 3) 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.

**Zephyr Ridge Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2019**

**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 statements* and the *fund financial statements* provide different pictures of the District. The *government-wide financial statements* provide an overall picture of the District's financial standing. These statements are comparable to private-sector companies and give a good understanding of the District's overall financial health and how the District paid for the various activities, or functions, provided by the District. All assets of the District, including buildings and improvements, and infrastructure are reported in the **statement of net position**. All liabilities, including principal outstanding on bonds are included. The **statement of activities** includes depreciation on all long-lived assets of the District, but transactions between the different functions of the District have been eliminated in order to avoid "doubling up" the revenues and expenses. The *fund financial statements* provide a picture of the major funds of the District. In the case of governmental activities, outlays for long lived assets are reported as expenditures and long-term liabilities, such as general obligation bonds, are not included in the fund financial statements. To provide a link from the *fund financial statements* to the *government-wide financial statements*, reconciliations are provided from the *fund financial statements* to the *government-wide financial statements*.

*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, 2019.

- ◆ The District's total assets exceeded total liabilities by \$2,585,972 (net position). Net investment in capital assets for the District was \$9,984,655. Restricted net position was \$9,996. Unrestricted net position was \$(7,408,679).
- ◆ Governmental activities revenues totaled \$3,255,890 while governmental activities expenses totaled \$774,768.

**Zephyr Ridge Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2019**

**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>2019</b>	<b>2018</b>
Current assets	\$ 62,995	\$ 145,551
Restricted assets	205,188	237,764
Capital assets	12,824,417	12,447,148
<b>Total Assets</b>	<b>13,092,600</b>	<b>12,830,463</b>
Current liabilities	7,706,628	9,830,613
Non-current liabilities	2,800,000	2,895,000
<b>Total Liabilities</b>	<b>10,506,628</b>	<b>12,725,613</b>
<b>Net Position</b>		
Net investment in capital assets	9,984,655	3,105,705
Restricted	9,996	8,468
Unrestricted	(7,408,679)	(3,009,323)
<b>Total Net Position</b>	<b>\$ 2,585,972</b>	<b>\$ 104,850</b>

The decrease in current assets was primarily related to the excess of expenditures over revenues at the fund level in the General Fund.

The decrease in liabilities is primarily related to the payment of certain matured interest and principal payments on the bonds.

The increase in net investment in capital assets is mainly related to the reclassification of matured bonds payable to unrestricted.

The increase in net position is related to the large SPE contribution in the current year.



**Zephyr Ridge Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2019**

**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>2019</b>	<b>2018</b>
Program Revenues		
Charges for services	\$ 362,214	\$ 239,753
Operating contributions	2,495,000	1,087,191
General Revenues		
Investment earnings	8,398	31,828
Total Revenues	<u>2,865,612</u>	<u>1,358,772</u>
Expenses		
General government	108,977	738,707
Physical environment	122,971	97,368
Culture/recreation	60,551	-
Interest on long-term debt	482,269	203,446
Total Expenses	<u>774,768</u>	<u>1,039,521</u>
Conveyance of capital assets	390,278	-
Change in Net Position	2,481,122	319,251
Net Position - Beginning of Year	<u>104,850</u>	<u>(214,401)</u>
Net Position - End of Year	<u>\$ 2,585,972</u>	<u>\$ 104,850</u>

The increase in charges for services is mainly related to an increase in special assessments.

The increase in contributions is primarily related to a large SPE contribution in the current year.

The decrease in general government expenses is related to the reduction in SPE costs in the current year.

The increase in physical environment expenses is primarily related to an increase in contingency expenses in the current year.

The increase in culture/recreation expenses is related to the opening of the amenity center.

The increase in interest is related to a large payment of matured and current interest from the SPE contribution.

**Zephyr Ridge Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2019**

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

**Capital Assets Activity**

The following schedule provides a summary of the District's capital assets as of September 30, 2019 and 2018:

Description	Governmental Activities	
	2019	2018
Land and improvements	\$ 4,437,020	\$ 4,437,020
Construction in progress	8,010,128	8,010,128
Infrastructure	390,278	-
Accumulated depreciation	(13,009)	-
Total Capital Assets (Net)	\$ 12,824,417	\$ 12,447,148

The activity for the year consisted of the conveyance of infrastructure of \$390,278 and \$13,009 in depreciation.

**General Fund Budgetary Highlights**

The final budget equaled actual expenditures.

The General Fund budget was amended in the current year because culture and recreation expenditures and miscellaneous contingency expenditures were higher than anticipated.

**Debt Management**

Governmental Activities debt includes the following:

- ◆ On July 1, 2006, the District issued \$10,425,000 of Capital Improvement Revenue Bonds, consisting of \$3,705,000 Series 2006A Bonds and \$6,720,000 Series 2006B 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 2006 Bonds remain in default. Matured bonds payable totaled \$6,501,132 at September 30, 2019. The unmatured balance outstanding at September 30, 2019 was \$2,895,000.

**Zephyr Ridge Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2019**

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

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

Zephyr Ridge 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 the fiscal year ended September 30, 2020.

**Request for Information**

The financial report is designed to provide a general overview of Zephyr Ridge 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 Zephyr Ridge Community Development District's Finance Department at 12750 Citrus Park Lane, Suite 115, Tampa, FL 33625.

**Zephyr Ridge Community Development District**  
**STATEMENT OF NET POSITION**  
**September 30, 2019**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets	
Cash	\$ 33,035
Assessments receivable	13,570
Prepaid expenses	16,390
Total Current Assets	62,995
Non-Current Assets	
Restricted Assets	
Investments	205,188
Capital Assets, Not Being Depreciated	
Land and improvements	4,437,020
Construction in progress	8,010,128
Capital Assets, Being Depreciated	
Infrastructure	390,278
Less: accumulated depreciation	(13,009)
Total Non-Current Assets	13,029,605
Total Assets	13,092,600
 <b>LIABILITIES</b>	
Current Liabilities	
Accounts payable and accrued expenses	4,470
Matured bonds payable	6,501,132
Matured interest payable	1,021,343
Bonds payable	95,000
Accrued interest	84,683
Total Current Liabilities	7,706,628
Non-Current Liabilities	
Bonds payable, net	2,800,000
Total Liabilities	10,506,628
 <b>NET POSITION</b>	
Net investment in capital assets	9,984,655
Restricted for capital projects	9,996
Unrestricted	(7,408,679)
Total Net Position	\$ 2,585,972

*See accompanying notes to financial statements.*

**Zephyr Ridge Community Development District**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
General government	\$ (108,977)	\$ 78,975	\$ -	\$ (30,002)
Physical environment	(122,971)	96,051	-	(26,920)
Culture/recreation	(60,551)	38,420	-	(22,131)
Interest on long-term debt	(482,269)	148,768	2,495,000	2,161,499
Total Governmental Activities	<u>\$ (774,768)</u>	<u>\$ 362,214</u>	<u>\$ 2,495,000</u>	<u>2,082,446</u>
<b>General Revenues</b>				
Investment income				<u>8,398</u>
Conveyance of capital assets				<u>390,278</u>
Change in Net Position				2,481,122
Net Position - Beginning of Year				<u>104,850</u>
Net Position - End of Year				<u>\$ 2,585,972</u>

See accompanying notes to financial statements.

**Zephyr Ridge Community Development District**  
**BALANCE SHEET –**  
**GOVERNMENTAL FUNDS**  
**September 30, 2019**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 33,035	\$ -	\$ -	\$ 33,035
Assessments receivable	13,570	-	-	13,570
Prepaid expenses	16,390	-	-	16,390
Restricted assets				
Investments, at fair value	-	195,192	9,996	205,188
<b>Total Assets</b>	<u>\$ 62,995</u>	<u>\$ 195,192</u>	<u>\$ 9,996</u>	<u>\$ 268,183</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 4,470	\$ -	\$ -	\$ 4,470
Matured bonds payable	-	6,501,132	-	6,501,132
Matured interest payable	-	1,021,343	-	1,021,343
<b>Total Liabilities</b>	<u>4,470</u>	<u>7,522,475</u>	<u>-</u>	<u>7,526,945</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid expenses	16,390	-	-	16,390
Restricted:				
Capital projects	-	-	9,996	9,996
Unassigned	42,135	(7,327,283)	-	(7,285,148)
<b>Total Fund Balances</b>	<u>58,525</u>	<u>(7,327,283)</u>	<u>9,996</u>	<u>(7,258,762)</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 62,995</u>	<u>\$ 195,192</u>	<u>\$ 9,996</u>	<u>\$ 268,183</u>

See accompanying notes to financial statements.

**Zephyr Ridge Community Development District**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**September 30, 2019**

Total Governmental Fund Balances	\$ (7,258,762)
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, land and improvements (\$4,437,020), construction in progress (\$8,010,128), infrastructure (\$390,278), net of accumulated depreciation (\$13,009) used in governmental activities are not current financial resources, and therefore, are not reported at the fund level.	12,824,417
Long-term liabilities, bonds payable, are not due and payable in the current period, and therefore, are not reported at the fund level.	(2,895,000)
Accrued interest expense for long-term debt is not a current financial use, and therefore, is not reported at the fund level.	<u>(84,683)</u>
Net Position of Governmental Activities	<u><u>\$ 2,585,972</u></u>

*See accompanying notes to financial statements.*

**Zephyr Ridge Community Development District**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2019**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>				
Special assessments	\$ 213,446	\$ 148,768	\$ -	\$ 362,214
SPE contributions	-	2,495,000	-	2,495,000
Investment income	-	8,220	178	8,398
Total Revenues	<u>213,446</u>	<u>2,651,988</u>	<u>178</u>	<u>2,865,612</u>
<b>EXPENDITURES</b>				
Current				
General government	98,875	10,102	-	108,977
Physical environment	122,971	-	-	122,971
Culture/recreation	47,542	-	-	47,542
Debt service				
Principal	-	90,000	-	90,000
Interest	-	610,934	-	610,934
Total Expenditures	<u>269,388</u>	<u>711,036</u>	<u>-</u>	<u>980,424</u>
Excess of revenues over/(under) expenditures	<u>(55,942)</u>	<u>1,940,952</u>	<u>178</u>	<u>1,885,188</u>
<b>OTHER FINANCING SOURCES/(USES)</b>				
Transfer in	-	-	1,350	1,350
Transfer out	-	(1,350)	-	(1,350)
Total other financing sources/(uses)	<u>-</u>	<u>(1,350)</u>	<u>1,350</u>	<u>-</u>
Net Change in Fund Balance	(55,942)	1,939,602	1,528	1,885,188
Fund Balances - Beginning of Year	<u>114,467</u>	<u>(9,266,885)</u>	<u>8,468</u>	<u>(9,143,950)</u>
Fund Balances - End of Year	<u>\$ 58,525</u>	<u>\$ (7,327,283)</u>	<u>\$ 9,996</u>	<u>\$ (7,258,762)</u>

See accompanying notes to financial statements.



**Zephyr Ridge 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, 2019**

Net Change in Fund Balances - Total Governmental Funds	\$ 1,885,188
--	--------------

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

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation in the current period.	(13,009)
---	----------

Repayment of bond principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	90,000
---	--------

The conveyance of capital assets does not affect current resources and is not reflected at the fund level. This is the amount for assets conveyed to the District in the current year.	390,278
--	---------

In the Statement of Activities, interest is accrued on outstanding bonds; whereas in the governmental funds, interest expenditures are reported when due. This is the change in accrued interest in the current period.	<u>128,665</u>
---	----------------

Change in Net Position of Governmental Activities	<u><u>\$ 2,481,122</u></u>
---	----------------------------

*See accompanying notes to financial statements.*

**Zephyr Ridge Community Development District**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND**  
**For the Year Ended September 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Special assessments	\$ 212,775	\$ 213,446	\$ 213,446	\$ -
Expenditures				
Current				
General government	93,109	93,109	98,875	(5,766)
Physical environment	84,003	131,279	122,971	8,308
Culture/recreation	45,000	45,000	47,542	(2,542)
Total Expenditures	<u>222,112</u>	<u>269,388</u>	<u>269,388</u>	<u>-</u>
Net Change in Fund Balances	(9,337)	(55,942)	(55,942)	-
Fund Balances - Beginning of Year	<u>9,337</u>	<u>55,942</u>	<u>114,467</u>	<u>58,525</u>
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,525</u>	<u>\$ 58,525</u>

*See accompanying notes to financial statements.*

**Zephyr Ridge Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

**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 October 25, 2005, pursuant to the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes, as amended (the "Act"), by Pasco County Ordinance #05-36 as a Community Development District. 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 district roads, landscaping, and other basic infrastructure projects within or outside the boundaries of the Zephyr Ridge Community Development District. The District is governed by a five member Board of Supervisors who are elected on an at large basis by landowners of the District. Four of the board members are associated with Zephyr Ridge Holdings, Inc. (the SPE) at September 30, 2019. The District operates within the criteria established by Chapter 190, Florida Statutes.

As required by GAAP, these financial statements present the Zephyr Ridge 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 by the Governmental Accounting Standards Board, the District has identified one component unit, Zephyr Ridge Holdings, Inc., (the SPE). The District was not provided any financial information from the SPE.

**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

**Zephyr Ridge Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

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

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

**a. Government-wide Financial Statements**

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 special assessments and interest. 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 an other 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.

**Zephyr Ridge Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

**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 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 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.

**Fund Balance Spending Hierarchy** – For all governmental funds except special revenue funds, when restricted, committed, assigned, and unassigned fund balances are combined in a fund, qualified expenditures are paid first from restricted or committed fund balance, as appropriate, then assigned and finally unassigned fund balances.

**Zephyr Ridge Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

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

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

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

**Governmental Funds (Continued)**

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.

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 an 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.

**Zephyr Ridge Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

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

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

**a. Governmental Major Funds (Continued)**

Debt Service Funds – Accounts for the accumulation of resources for the annual payment of principal and interest on long-term general obligation debt.

Capital Projects Funds – The Capital Projects Funds account for the construction of infrastructure improvements within the boundaries of the District.

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

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

**4. Assets, Liabilities, and Net Position or Equity**

**a. Cash and Investments**

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.

**Zephyr Ridge Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

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

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

**b. Restricted Net Position**

Certain net position of the District is classified as restricted 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. In a fund with both restricted and unrestricted net position, qualified expenses are considered to be paid first from restricted net position and then from unrestricted net position.

**c. Capital Assets**

Capital assets, which include land and improvements, construction in progress, buildings, infrastructure and equipment are reported in the governmental activities column.

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	30 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. The legal level of budgetary control is at the fund level. All budgeted appropriations lapse at year end. Formal budgets are adopted for the general and debt service funds. As a result, deficits in the budget columns of the accompanying financial statements may occur.



**Zephyr Ridge Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

**NOTE B – 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 does not have a formal deposit policy for custodial credit risk; however, they follow the provisions of Chapter 280, Florida Statutes regarding deposits and investments. As of September 30, 2019, the District's bank balance was \$38,716 and the carrying value was \$33,035. 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, 2019, the District had the following investments and maturities:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
U.S. Bank Managed Money Market	N/A	<u>\$ 205,188</u>

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 listed above are Level 1 assets.

Interest Rate Risk

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

**Zephyr Ridge Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

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

Credit Risk

The District's investments are limited by state statutory requirements and bond compliance. The District has no investment policy that would further limit its investment choices. As of September 30, 2019, the District's investment in U.S. Bank Managed Money Market was not rated.

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one fund. The District's investment in the U.S. Bank Managed Money Market represents 100% of the District's total investments.

The types of deposits and investments and their level of risk exposure as of September 30, 2019 were typical of these items during the fiscal year then ended. The District considers any decline in fair value to be temporary.

**NOTE C – SPECIAL ASSESSMENT REVENUES**

Assessment revenues recognized for the 2018-2019 fiscal year were levied in October 2018. All taxes are due and payable on November 1 or as soon as the assessment roll is certified and delivered to the Tax Collector. Per Section 197.162, Florida Statutes, discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. Taxes paid in March are without discount.

All unpaid taxes become delinquent as of April 1. Virtually all unpaid taxes are collected via the sale of tax certificates on or prior to June 1; therefore, there were no material taxes receivable at fiscal year end.

**Zephyr Ridge Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

**NOTE D – CAPITAL ASSETS**

Capital Asset activity for the year ended September 30, 2019 was as follows:

	Balance October 1, 2018	Additions	Deletions	Balance September 30, 2019
<b><u>Governmental activities:</u></b>				
Capital assets, not being depreciated:				
Land and land improvements	\$ 4,437,020	\$ -	\$ -	\$ 4,437,020
Construction in progress	8,010,128	-	-	8,010,128
Total Capital Assets, Not Depreciated	<u>12,447,148</u>	<u>-</u>	<u>-</u>	<u>12,447,148</u>
Capital assets, being depreciated:				
Infrastructure	-	390,278	-	390,278
Less accumulated depreciation for:				
Infrastructure	-	(13,009)	-	(13,009)
Total Capital Assets Depreciated, Net	<u>-</u>	<u>377,269</u>	<u>-</u>	<u>377,269</u>
Governmental Activities Capital Assets	<u>\$ 12,447,148</u>	<u>\$ 377,269</u>	<u>\$ -</u>	<u>\$ 12,824,417</u>

Current year depreciation of \$13,009 was charged to culture/recreation.

**NOTE E – INTERFUND ACTIVITY**

Interfund activity at September 30, 2019, consisted of the following:

<u>Transfer Out</u>	<u>Transfers In</u> Capital Projects Fund
Debt Service Fund	\$ 1,350

The Debt Service Fund transferred funds to the Capital Projects Fund in accordance with the Trust Indenture.

**Zephyr Ridge Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

**NOTE F – LONG-TERM DEBT**

The following is a summary of activity for long-term debt of the Governmental Activities for the year ended September 30, 2019:

Long-term debt at October 1, 2018	\$ 2,985,000
Principal	<u>(90,000)</u>
Long-term debt at September 30, 2019	<u>\$ 2,895,000</u>

During the year, the scheduled debt service payments on the Series 2006A bond were not paid by the District. This amount is reflected as matured bonds payable and matured interest payable in the accompanying financial statements.

Long-term debt for Governmental Activities is comprised of the following:

**Capital Improvement Revenue Bonds**

\$3,705,000 Series 2006A Capital Improvement Bonds are due in annual principal installments beginning May 2008 maturing May 2037. Interest at 5.625% is due May and November beginning November 2006. Current portion is \$95,000. \$ 2,895,000

The District issued \$6,720,000 Series 2006B, at 5.25% interest. The bonds matured on May 1, 2013, but the balance outstanding was not paid. The balance outstanding, \$5,782,995 is included as matured bonds payable in the accompanying financial statements.

The annual requirements to amortize the principal and interest of bonded debt outstanding as of September 30, 2019 are as follows:

Year Ending September 30,	Principal	Interest	Total
2020	\$ 95,000	\$ 162,844	\$ 257,844
2021	100,000	157,500	257,500
2022	105,000	151,875	256,875
2023	115,000	145,969	260,969
2024	120,000	139,500	259,500
2025-2029	710,000	588,656	1,298,656
2030-2034	945,000	363,656	1,308,656
2035-2037	<u>705,000</u>	<u>81,000</u>	<u>786,000</u>
Totals	<u>\$ 2,895,000</u>	<u>\$ 1,791,000</u>	<u>\$ 4,686,000</u>

**Zephyr Ridge Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

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

Summary of Significant Bond Resolution Terms and Covenants

**Capital Improvement Revenue Bonds**

Significant Bond Provisions

The Series 2006A Bonds are subject to redemption at the option of the District prior to their maturity, in whole or in part, at any time after May 1, 2015 at a redemption price set forth in the Trust Indenture. The Series 2006B Bonds are not subject to optional redemption prior to maturity. The Series 2006A and Series 2006B Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Trust Indenture.

The Trust Indenture established certain amounts be maintained in a reserve account. In addition, the Trust Indenture has certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District is not in compliance with certain requirements of the Bond Indenture due to Developer nonpayment of assessment revenue.

Total principal and interest remaining on the Series 2006 Bonds, as of September 30, 2019 is \$12,208,475, which includes \$7,522,475 of matured bonds and interest payable. In the current year, the District paid the total outstanding matured interest on the Series 2006B Bonds and a portion of outstanding matured interest on the Series 2006A Bonds for a total of \$2,292,305.

The following is a schedule of required reserve deposits as of September 30, 2019:

	<b>Capital Improvement Bonds</b>	
	<b>Reserve Balance</b>	<b>Reserve Requirement</b>
Series 2006A	\$ 55,238	\$ 251,655
Series 2006B	\$ -	\$ 149,938

**NOTE G – ECONOMIC DEPENDENCY AND RELATED PARTIES**

A substantial portion of the District's activity is dependent upon the continued involvement of the developers, the loss of which could have a materially adverse effect on the District. At September 30, 2019, the developers owned or controlled a large portion of the assessable property located within District boundaries.

The District received \$2,495,000 from the SPE and a developer conveyed the amenity center, valued at \$390,728, to the District in the current year.

**Zephyr Ridge Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2019**

**NOTE H – 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. The District has not filed any claims under this commercial coverage during the last three years.

**NOTE I – SPECIAL PURPOSE ENTITY AGREEMENT**

Zephyr Ridge Holdings, Inc, a Special Purpose Entity (SPE) was created in a prior fiscal year by the District, the Trustee and the bondholders to apply for tax deeds on the purchased tax certificates and to acquire, manage, own and dispose of the acquired property. In February 2012, the SPE acquired the property within the District owned by the former Developer, which represented 88% of the total property within the District. In November 2013, the District, the SPE and the Trustee agreed to forgive all outstanding operating and maintenance assessments outstanding at that time in exchange for a payment of \$186,000, which represented the General Fund accounts payable balance at September 30, 2013. Additionally, the SPE agreed to pay its share of operating and maintenance assessments for the fiscal year ended September 30, 2014, and thereafter. It was further agreed by the parties that the collection of debt service assessments on land owned by the SPE would be held in abeyance until the land was sold. The District collected \$148,768 during the year ended September 30, 2019 in debt service assessments.



Berger, Toombs, Elam,  
Gaines & Frank

Certified Public Accountants PL

600 Citrus Avenue  
Suite 200  
Fort Pierce, Florida 34950

772/461-6120 // 461-1155  
FAX: 772/468-9278

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

To the Board of Supervisors  
Zephyr Ridge Community Development District  
Pasco County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Zephyr Ridge Community Development District, as of and for the year ended September 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated February 11, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Zephyr Ridge Community Development District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Zephyr Ridge Community Development District's internal control. Accordingly, we do not express an opinion on the effectiveness of Zephyr Ridge Community Development District's internal control over financial reporting.

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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we identified a deficiency in internal control that we consider to be a material weakness, as follows:

Board of Supervisors  
Zephyr Ridge Community Development District

### **Finding 12-01 Failure to Include Component Unit in Financial Statements**

#### **Finding**

The District did not include the SPE as a discretely presented component unit. Generally accepted accounting principles require that the financial statements of a component unit be included in the financial statements.

#### **Effect**

The assets owned by the SPE, which will be used to payoff the outstanding matured interest, matured bonds and bonds payable, are not reflected in the financial statements of the District.

#### **Recommendation**

The District should work with the SPE to ensure that their financial activity is included in future financial statements.

#### **Management Response**

The District position is that the SPE's primarily beneficiary is the bondholders and the SPE is not a component unit.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Zephyr Ridge 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*.

### **Finding 09-01 Failure to Make Debt Service Payments When Due**

#### **Finding**

The District has not made the required debt service payments when due since 2009 and did not make the required payments in the current year.

#### **Effect**

The Series 2006 Bonds are in default and the District has met a financial emergency condition as described in Section 218.530(1), Florida Statutes.

#### **Recommendation**

The District should use all legal remedies available to collect delinquent assessments and make the required debt service payments when due.

#### **Management Response**

The District has entered into an agreement that allows for the abeyance of debt service assessments until the property is sold.



Board of Supervisors  
Zephyr Ridge Community Development District

### **Finding 09-02 Failure to Meet Debt Service Requirements**

#### Finding

The District had used certain reserve account amounts to make certain debt service payments in prior years and the reserve balances on hand do not meet the balances required by the Trust Indenture.

#### Effect

The inadequate reserve balance results in a technical bond default.

#### Recommendation

The District should utilize all legal remedies to collect past due assessments and restore the reserve account to the required balance.

#### Management Response

As noted above the debt service assessments are currently in abeyance.

### **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  
Certified Public Accountants  
Fort Pierce, Florida

February 11, 2020



# Berger, Toombs, Elam, Gaines & Frank

Certified Public Accountants PL

600 Citrus Avenue  
Suite 200  
Fort Pierce, Florida 34950

772/461-6120 // 461-1155  
FAX: 772/468-9278

## MANAGEMENT LETTER

To the Board of Supervisors  
Zephyr Ridge Community Development District  
Pasco County, Florida

### Report on the Financial Statements

We have audited the financial statements of the Zephyr Ridge Community Development District as of and for the year ended September 30, 2019, and have issued our report thereon dated February 11, 2020.

### 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 Florida 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 our Independent Auditor's Report on an examination conducted in accordance with *AICPA Professionals Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated February 11, 2020, 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 findings or recommendations noted in the preceding audit were as follows:

See pages 29-31 for findings included related to internal control and compliance, Findings 12-01, 09-01 and 09-02.

To the Board of Supervisors  
Zephyr Ridge Community Development District

### **Finding 09-01**

#### **Finding**

The District did not pay the required debt service payment on the Series 2006 Bonds as a result of the non payment of debt service assessments.

#### **Effect**

The District meets one of the conditions described in Section 218.503(1), Florida Statutes and is in a state of financial emergency.

#### **Management Response**

The District, the bondholders and the Trustee agreed in November 2013 to hold debt service assessments in abeyance for the property owned by the SPE until it was sold.

#### **Current Status**

Although certain property has been sold, the debt service assessments collected are still not adequate to make the required debt service payments.

### **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 Zephyr Ridge Community Development District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific conditions met. In connection with our audit, we determined that Zephyr Ridge Community Development District met one of the conditions described in Section 218.503(1) Florida Statutes (See Finding 09-01 above).

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for Zephyr Ridge Community Development District. It is management's responsibility to monitor the Zephyr Ridge 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 as of September 30, 2019.

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 note any such recommendations:

### **Additional Matters**

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



Berger, Toombs, Elam,  
Gaines & Frank

Certified Public Accountants PL

To the Board of Supervisors  
Zephyr Ridge Community Development District

### **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

February 11, 2020



Berger, Toombs, Elam,  
Gaines & Frank

Certified Public Accountants PL

600 Citrus Avenue  
Suite 200  
Fort Pierce, Florida 34950

772/461-6120 // 461-1155  
FAX: 772/468-9278

**INDEPENDENT ACCOUNTANT'S REPORT/COMPLIANCE WITH  
SECTION 218.415, FLORIDA STATUTES**

To the Board of Supervisors  
Zephyr Ridge Community Development District  
Pasco County, Florida

We have examined Zephyr Ridge Community Development District's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2019. Management is responsible for Zephyr Ridge Community Development District's compliance with those requirements. Our responsibility is to express an opinion on Zephyr Ridge 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 Zephyr Ridge 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 Zephyr Ridge Community Development District's compliance with the specified requirements.

In our opinion, Zephyr Ridge Community Development District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2019.

*Berger Toombs Elam  
Gaines & Frank*

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

February 11, 2020