

Financial Statements

September 30, 2020

**Enterprise Community
Development District**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Enterprise Community Development District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the *Enterprise Community Development District* (the "District"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the District as of September 30, 2020, and the respective changes in financial position and where applicable cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis starting on page 3, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 30, 2021, 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, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

McDiernit Davis

Orlando, Florida
March 30, 2021

Our discussion and analysis of *Enterprise Community Development District's* (the "District") financial accomplishments provide an overview of the District's financial activities for the year ended September 30, 2020. Please read it in conjunction with the District's Independent Auditor's Report, financial statements and accompanying notes.

This information is being presented to provide additional information regarding the activities of the District and to meet the disclosure requirements of Government Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued June 1999.

Financial Highlights

- The assets of the District exceeded its liabilities at September 30, 2020 by \$37,297,981, an increase in net position of \$1,353,193 in comparison with the prior year.
- At September 30, 2020, the District's governmental funds reported a fund balance of \$2,599,161, an increase of \$28,778 in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the *Enterprise Community Development District's* financial statements. The District's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by assessments (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include general government, and maintenance and operations related functions. The business-type activities of the District include the water and sewer operations.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has two fund categories: Governmental and Proprietary Funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, which is considered to be a major fund.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

Proprietary Funds

The District maintains one type of proprietary fund: enterprise. The District maintains one enterprise fund. An enterprise fund is used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District uses an enterprise fund to account for the operations of the water and sewer utility. Proprietary funds provide the same type of information as government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the water and sewer fund, which is considered a major fund.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

Statement of Net Position

The District's net position was \$37,297,981 at September 30, 2020. The following analysis focuses on the net position of the District's governmental activities.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Assets:						
Current and other assets	\$ 2,625,936	\$ 2,620,213	\$ 17,426,723	\$ 17,396,381	\$ 20,052,659	\$ 20,016,594
Capital assets, net	5,167,993	5,232,830	17,419,814	16,733,786	22,587,807	21,966,616
Total assets	7,793,929	7,853,043	34,846,537	34,130,167	42,640,466	41,983,210
Deferred Outflows	-	-	110,932	141,186	110,932	141,186
Liabilities:						
Current liabilities	26,775	49,830	1,736,642	1,574,778	1,763,417	1,624,608
Long-term liabilities	-	-	3,690,000	4,555,000	3,690,000	4,555,000
Total liabilities	26,775	49,830	5,426,642	6,129,778	5,453,417	6,179,608
Net Position:						
Net investment in capital assets	5,167,993	5,232,830	13,840,746	12,319,972	19,008,739	17,552,802
Restricted	-	-	11,196,501	11,450,782	11,196,501	11,450,782
Unrestricted	2,599,161	2,570,383	4,493,580	4,370,821	7,092,741	6,941,204
Total net position	\$ 7,767,154	\$ 7,803,213	\$ 29,530,827	\$ 28,141,575	\$ 37,297,981	\$ 35,944,788

Enterprise Community Development District
Management's Discussion and Analysis

Changes in Net Position

The following is a summary of the District's activities for the fiscal years ended September 30.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues:						
Charges for services	\$ 350,606	\$ 350,701	\$ 6,652,761	\$ 6,075,380	\$ 7,003,367	\$ 6,426,081
Connection charges	-	-	1,260,593	158,451	1,260,593	158,451
Operating grants	-	24,928	-	-	-	24,928
General Revenues:						
Investment income	40,119	75,279	120,133	125,686	160,252	200,965
Right of way revenues	300,211	337,483	-	-	300,211	337,483
Miscellaneous	12,828	32,656	-	-	12,828	32,656
Total revenues	703,764	821,047	8,033,487	6,359,517	8,737,251	7,180,564
Expenses:						
Governmental Activities:						
General government	115,086	154,363	-	-	115,086	154,363
Maintenance and operations	624,737	563,154	-	-	624,737	563,154
Interest	-	-	157,543	182,743	157,543	182,743
Water and sewer	-	-	6,486,692	6,231,703	6,486,692	6,231,703
Total expenses	739,823	717,517	6,644,235	6,414,446	7,384,058	7,131,963
Increase (Decrease) in Net Position	(36,059)	103,530	1,389,252	(54,929)	1,353,193	48,601
Net position, beginning	7,803,213	7,699,683	28,141,575	28,196,504	35,944,788	35,896,187
Net position, end	\$ 7,767,154	\$ 7,803,213	\$ 29,530,827	\$ 28,141,575	\$ 37,297,981	\$ 35,944,788

As noted above and in the statement of activities, the cost of all governmental activities during the year ended September 30, 2020 was \$739,823. The majority of these costs are comprised of maintenance and operations expense.

Financial Analysis of the Government's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The focus of the District's governmental funds is to provide information on near - term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At September 30, 2020, the District's governmental funds reported combined ending fund balances of \$2,599,161. Of this total, \$155 is nonspendable, \$270,585 is assigned and the remainder of \$2,328,421 is unassigned.

The general fund balance increase of \$28,778 in the current year was due to increased right of way fees received.

General Fund Budgetary Highlights

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. There were no amendments to the September 30, 2020 general fund budget. The legal level of budgetary control is at the fund level.

Capital Asset and Debt Administration

Capital Assets

At September 30, 2020, the District had \$22,587,807 invested in assets, net of accumulated depreciation. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Capital Debt

At September 30, 2020, the District had \$3,690,000 in bonds outstanding. More detailed information about the District's capital debt is presented in the notes to the financial statements.

Requests for Information

If you have questions about this report or need additional financial information, contact the *Enterprise Community Development District's* Finance Department at 210 North University Drive, Suite 702, Coral Springs, Florida, 33071.

FINANCIAL STATEMENTS

Enterprise Community Development District
Statement of Net Position
September 30, 2020

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash	\$ 2,128,189	\$ 3,188,777	\$ 5,316,966
Investments	544,647	1,312,613	1,857,260
Interest receivable	4,608	4,849	9,457
Accounts receivable	44,366	530,024	574,390
Due from other governments	2,398	3,826	6,224
Internal balances	(98,427)	98,427	-
Prepaid items and deposits	155	9,591	9,746
Restricted Assets:			
Temporarily restricted cash	-	1,026,127	1,026,127
Temporarily restricted investments	-	11,252,489	11,252,489
Capital Assets:			
Capital assets not being depreciated	4,413,271	1,728,813	6,142,084
Capital assets, net of depreciation	754,722	15,691,001	16,445,723
Total assets	7,793,929	34,846,537	42,640,466
Deferred Outflows of Resources:			
Deferred charge on refunding	-	110,932	110,932
Total deferred outflows of resources	-	110,932	110,932
Liabilities:			
Accounts payable and accrued expenses	26,775	663,858	690,633
Accrued interest payable	-	46,657	46,657
Deposits, payable from restricted assets	-	1,026,127	1,026,127
Noncurrent Liabilities:			
Bonds Payable:			
Due within one year	-	885,000	885,000
Due in more than one year	-	2,805,000	2,805,000
Total liabilities	26,775	5,426,642	5,453,417
Net Position:			
Net investment in capital assets	5,167,993	13,840,746	19,008,739
Restricted for debt service	-	11,196,501	11,196,501
Unrestricted	2,599,161	4,493,580	7,092,741
Total net position	\$ 7,767,154	\$ 29,530,827	\$ 37,297,981

Enterprise Community Development District
Statement of Activities
Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Primary Government			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 115,086	\$ 54,540	\$ -	\$ -	\$ (60,546)	\$ -	\$ (60,546)
Maintenance and operations	624,737	296,066	-	-	(328,671)	-	(328,671)
Total governmental activities	739,823	350,606	-	-	(389,217)	-	(389,217)
Business-type Activities:							
Water and sewer expenses	6,486,692	6,652,761	-	1,260,593	-	1,426,662	1,426,662
Interest on long-term debt	157,543	-	-	-	-	(157,543)	(157,543)
Total business-type activities	6,644,235	6,652,761	-	1,260,593	-	1,269,119	1,269,119
Total primary government	7,384,058	7,003,367	-	1,260,593	(389,217)	1,269,119	879,902
General Revenues:							
Unrestricted investment earnings					40,119	120,133	160,252
Right of way revenue					300,211	-	300,211
Miscellaneous revenues					12,828	-	12,828
Total general revenues					353,158	120,133	473,291
Change in net position					(36,059)	1,389,252	1,353,193
Net position, beginning					7,803,213	28,141,575	35,944,788
Net position, ending					\$ 7,767,154	\$ 29,530,827	\$ 37,297,981

Enterprise Community Development District
Balance Sheet
Governmental Funds
September 30, 2020

	<u>General</u>	<u>Total Governmental Funds</u>
Assets:		
Cash	\$ 2,128,189	\$ 2,128,189
Investments	544,647	544,647
Due from other governments	2,398	2,398
Accounts receivable	44,366	44,366
Interest receivable	4,608	4,608
Prepaid items	155	155
Total assets	<u>\$ 2,724,363</u>	<u>\$ 2,724,363</u>
Liabilities and Fund Balances:		
Liabilities:		
Accounts payable and accrued expenses	\$ 26,775	\$ 26,775
Due to other funds	98,427	98,427
Total liabilities	<u>125,202</u>	<u>125,202</u>
Fund Balances:		
Nonspendable		
Prepaid items	155	155
Assigned for:		
Operating reserves	187,565	187,565
Capital reserves	83,020	83,020
Unassigned	2,328,421	2,328,421
Total fund balances	<u>2,599,161</u>	<u>2,599,161</u>
Total Liabilities and Fund Balances	<u>\$ 2,724,363</u>	
 Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		<u>5,167,993</u>
Net Position of Governmental Activities		<u>\$ 7,767,154</u>

Enterprise Community Development District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2020

	<u>General</u>	<u>Total Governmental Funds</u>
Revenues:		
Assessments	\$ 350,606	\$ 350,606
Right of way fees	300,211	300,211
Interest income	40,119	40,119
Other revenues	12,828	12,828
Total revenues	<u>703,764</u>	<u>703,764</u>
Expenditures:		
Current:		
General government	115,086	115,086
Maintenance and operations	559,900	559,900
Total expenditures	<u>674,986</u>	<u>674,986</u>
Net change in fund balances	28,778	28,778
Fund balances, beginning of year	2,570,383	2,570,383
Fund balances, end of year	<u>\$ 2,599,161</u>	<u>\$ 2,599,161</u>

Enterprise Community Development District
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities**
Year Ended September 30, 2020

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

Net Change in Fund Balances - total governmental funds (page 10)	\$ 28,778
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Governmental Funds report outlays for Capital Assets as expenditures because such outlays use current financial resources; however, in the statement of net position the cost of those assets is recorded as capital assets. Depreciation on capital assets is not recognized in the governmental fund statement; however, it is reported as an expense in the statement of activities.

Capital Outlay	5,847
Depreciation expense	<u>(70,684)</u>
Change in Net Position of Governmental Activities (page 8)	<u>\$ (36,059)</u>

Enterprise Community Development District
Statement of Revenues, Expenditures and Changes in Fund
Balance Budget and Actual - General Fund
Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Assessments	\$ 350,258	\$ 350,258	\$ 350,606	\$ 348
Right of Way Fees	330,000	330,000	300,211	(29,789)
Interest	70,000	70,000	40,119	(29,881)
Other Revenues	-	-	12,828	12,828
Total revenues	750,258	750,258	703,764	(46,494)
Expenditures:				
Current:				
General government	158,292	158,292	115,086	43,206
Maintenance and operations	591,966	591,966	559,900	32,066
Total expenditures	750,258	750,258	674,986	75,272
Net change in fund balance	\$ -	\$ -	28,778	\$ 28,778
Fund balance, beginning			2,570,383	
Fund balance, ending			\$ 2,599,161	

Enterprise Community Development District
Statement of Net Position
Proprietary Fund
September 30, 2020

	<u>Enterprise Fund</u>
Assets	
Current Assets:	
Cash and cash equivalents	\$ 3,188,777
Investments	1,312,613
Restricted Assets:	
Cash and cash equivalents	1,026,127
Investments	11,252,489
Accounts receivable, net	530,024
Interest receivable	4,849
Due from other government	3,826
Due from other funds	98,427
Prepays and deposits	9,591
Total current assets	<u>17,426,723</u>
Non-current Assets:	
Capital Assets:	
Land	218,400
Construction in progress	1,510,413
Improvements and infrastructure	29,685,518
Intangible assets, right to use	344,576
Less Accumulated depreciation	<u>(14,339,093)</u>
Total non-current assets	<u>17,419,814</u>
Total assets	<u>34,846,537</u>
Deferred Outflows of Resources	
Deferred charge on refunding (debit)	<u>110,932</u>
Total deferred outflows of resources	<u>110,932</u>
Liabilities	
Current Liabilities:	
Accounts payable and accrued expenses	663,858
Deposits payable from restricted assets	1,026,127
Accrued bond interest payable	46,657
Bonds, notes and loans payable	<u>885,000</u>
Total current liabilities	<u>2,621,642</u>
Non-current Liabilities:	
Bonds, notes and loans payable	<u>2,805,000</u>
Total non-current liabilities	<u>2,805,000</u>
Total liabilities	<u>5,426,642</u>
Net Position	
Net investment in capital assets	13,840,746
Restricted for debt service	11,196,501
Unrestricted	<u>4,493,580</u>
Total net position	<u>\$ 29,530,827</u>

Enterprise Community Development District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
Year Ended September 30, 2020

	<u>Enterprise Fund</u>
Revenues	
Charges for services	\$ 6,609,796
Miscellaneous	42,965
Total operating revenues	<u>6,652,761</u>
Operating Expenses	
General and administrative	174,073
Water purchases and wastewater treatment	5,488,234
Depreciation	824,385
Total Operating Expenses	<u>6,486,692</u>
Operating income	<u>166,069</u>
Non-Operating Revenues (Expenses)	
Interest Income	120,133
Interest Expense	<u>(157,543)</u>
Total non-operating revenue (expenses)	<u>(37,410)</u>
Income (loss) before contributions and transfers	128,659
Capital contributions, connection charges	<u>1,260,593</u>
Change in net position	1,389,252
Total net position, beginning	<u>28,141,575</u>
Total net position, ending	<u><u>\$ 29,530,827</u></u>

Enterprise Community Development District
Statement of Cash Flows
Proprietary Fund
Year Ended September 30, 2020

	<u>Enterprise Fund</u>
Cash Flows from Operating Activities:	
Receipts from customers and users	\$ 6,773,155
Payments to suppliers of goods and services	<u>(5,612,734)</u>
Net cash provided by (used in) operating activities	<u>1,160,421</u>
Cash Flows from Non-Capital Financing Activities:	
Connection fees	1,260,593
Decrease in due to/from other funds	<u>1,253,789</u>
Net cash provided by (used in) non-capital financing activities	<u>2,514,382</u>
Cash Flows from Capital and Related Financing Activities:	
Principal paid on debt	(865,000)
Interest paid on debt	(138,226)
Acquisition of capital assets	<u>(1,510,413)</u>
Net cash provided by (used by) capital and related financing activities	<u>(2,513,639)</u>
Cash Flows from Investing Activities:	
Interest earnings	139,506
Sale of Investments	<u>786,227</u>
Net cash used by investing activities	<u>925,733</u>
Net increase in cash and cash equivalents	2,086,897
Cash and cash equivalents, beginning	<u>2,128,007</u>
Cash and cash equivalents, ending	<u>\$ 4,214,904</u>
Classified As:	
Cash and cash equivalents	\$ 3,188,777
Restricted cash and cash equivalents	<u>1,026,127</u>
Total	<u>\$ 4,214,904</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities	
Operating income	<u>\$ 166,069</u>
Adjustments Not Affecting Cash:	
Depreciation	824,385
Change in Assets and Liabilities:	
(Increase) Decrease in accounts receivable	(10,348)
(Increase) Due from other governments	14,270
(Increase) Decrease in prepaids	(6,756)
Increase (Decrease) in accounts payable	56,329
Increase (Decrease) in customer deposits	<u>116,472</u>
Total adjustments	<u>994,352</u>
Net cash provided by operating activities	<u>\$ 1,160,421</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Enterprise Community Development District ("District") was created on March 29, 1994 by Rule 42R of the Florida Land and Water Adjudicatory Commission, pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes. 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 encompasses approximately 1,552 acres of an anticipated 9,500 acre planned community ("Enterprise") being developed by The Celebration Company ("Developer"), a subsidiary of The Walt Disney Company.

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Supervisors are elected by the owners of the property within the District. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes. At September 30, 2020, two of the Board members are affiliated with the Developer and the Walt Disney Company.

The Board has the final responsibility for:

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

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statements 14, 39, and 61. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District Board of Supervisors is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

Government-Wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants, contributions and investment income that are restricted to meeting the operational or capital requirements of a particular function or segment and 3) operating-type special assessments that are treated as charges for services (including assessments for maintenance and debt service). Other items not included among program revenues are reported instead as *general revenues*.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Assessments are recognized as revenues in the year for which they are levied.

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 are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures are recorded only when payment is due.

Assessments, including debt service assessments and operation and maintenance assessments, are non-ad valorem assessments imposed on all lands located within the District and benefited by the District's activities. Operation and maintenance special assessments are levied by the District prior to the start of the fiscal year which begins October 1st and ends on September 30th. These assessments are imposed upon all benefited lands located in the District. Debt service special assessments are imposed upon certain lots and lands as described in each resolution imposing the special assessment for each series of bonds issued by the District.

Assessments 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. Only the portion of assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Water and sewer connection fees received are available for the payment of debt service on the District's bonds and for costs associated with the construction, reconstruction and expansion of the District's utility systems. These fees are included in restricted investments on the Enterprise Fund Statement of Net Position until spent for the designated purpose.

The District reports the following major funds:

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.

Water and Sewer Fund

Accounts for the water and sewer operations of the District that are financed and supported primarily by user charges.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. Operating expenses of the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Restricted Assets

These assets represent cash and investments set aside pursuant to bond covenants, and customer deposits.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits. The District considered highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. The District has adopted a policy for its investments specifying that investment alternatives (other than publicly traded securities) must have an established market. Investments shall be subject to the cash flow needs of the District. Such cash flows are subject to revisions as market conditions and the District's needs change. It is the intent of the District to avoid assets that require a significant time to liquidate.

Investment of District funds may include, subject to certain restrictions and requirements, Local Government Surplus Funds Trust Fund or similar common trust fund which is established pursuant to state law as a legal depository of public moneys; negotiable direct obligations of, or obligations of which the principal and interest are unconditionally guaranteed by, the United States Government; bonds, debentures, or other evidences of indebtedness issued or guaranteed by any agency or corporation; investment agreements with any bank or other financial institution; deposits, federal funds or bankers acceptances of any domestic bank, including a branch office of a foreign bank which branch office is located in the United States; repurchase agreements collateralized by direct obligations with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank; prime commercial paper of a United States corporation, finance company or banking institution if such commercial paper is rated at least "P-1" by Moody's or at least "A-1 +" by S&P and if such commercial paper is stated to mature in not more than 270 days; securities of or other investments in, any open-ended or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C . ss. 80a-1 et seq., as amended from time to time, provided the portfolio of such investment company or investment trust is limited to United States government obligations and provided such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian; securities permitted by Sections 218.345 and 218.415(15), Florida Statutes, as amended from time to time; and such other securities as approved by resolution of the governing body of the District. In addition, Bond proceeds are required to be held in investments as specified in the Bond Indenture.

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

Investments of the District are reported at fair value and are categorized within the fair value hierarchy established in accordance with GASB Statement No. 72, Fair Value Measurement and Application. The District's investments consist of investments authorized in accordance with Section 218.415, Florida Statutes.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Accounts Receivable

Accounts receivable and revenues for the enterprise fund are shown net of an allowance for uncollectible amounts. For water and sewer accounts receivable, an estimated 6% of amounts outstanding represent the allowance at September 30, 2020. This balance is comprised primarily of accounts with outstanding balances in excess of 120 days.

Capital Assets

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Assets	Years
Intangibles - right to use	50
Improvements other than buildings	10 - 50
Infrastructure	10 - 40
Equipment	10

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.

Long Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of premiums or discounts.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Deferred Outflows of Resources

In addition to assets, the statement of financial position includes 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 has one item, a deferred charge on refunding, that qualifies for reporting in this category. A deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position includes 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 item that qualifies for reporting in this category.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted- net position and unrestricted- net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted-net position is applied.

Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes fund balance amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Supervisors is the highest level of decision-making authority for the government that can, by adoption of an ordinance or resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance or resolution remains in place until a similar action is taken to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Board of Supervisors has authorized the District Manager to assign amounts for specific purposes. The Board of Supervisors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above and additional action is essential to either remove or revise a commitment.

Other Disclosures

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

New Accounting Standards

In fiscal year 2020, the District implemented Government Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This statement provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of provisions in certain other statements. There was no effect on beginning balances of the District for implementation of this Statement

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The District is required to establish a budgetary system and an approved annual budget for the General Fund. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at the fiscal year end. The legal level of budgetary control is at the fund level. Any budget amendments that increase the aggregate budgeted appropriations, at the fund level, must be approved by the Board of Supervisors.

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

1. Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally adopted by the District Board.
4. All budget changes must be approved by the District Board.
5. The budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits

The District's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

Investments

The District categorizes its fair value measurements within the fair value hierarchy 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.

Under GASB 72, assets or liabilities are classified into one of three levels. Level 1 is the most reliable and is based on quoted prices 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 uses the best information available under the circumstances, which includes the District's own data in measuring unobservable inputs.

Money market investments that have a maturity at the time of purchase of one year or less and are held by governments other than external investment pools and non-negotiable, non-transferable certificates of deposit that do not consider market rates are required to be reported at amortized cost should be measured at amortized cost. Accordingly, the District's investments have been reported at amortized cost.

Instead of establishing a written investment policy, the District elected to limit investments to those approved by Florida Statutes and the District Trust Indenture. Authorized District investments include, but are not limited to:

1. The Local Government Surplus Funds Trust Fund (SBA);
2. Securities and Exchange Commission Registered Money Market Funds with the highest credit quality rating from a nationally recognized rating agency;
3. Interest-bearing time deposits or savings accounts in qualified public depositories;
4. Direct obligations of the U.S. Treasury.

Investments made by the District at September 30, 2020 are summarized below.

Investment Type	Fair Value	Credit Rating	Weighted Average Maturity
Certificates of Deposit - Bank United & Valley National	\$ 1,857,260	N/A	10-18 months
US Bank Commercial Paper	11,252,489	S&P A-1+	N/A
	\$ 13,109,749		

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk:

The District's limits credit risk by restricting authorized investments to those described which are either backed by the full faith and credit of the United States Government or maintain the highest credit quality ratings of Moody's or S&P.

Custodial Credit Risk:

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2020, all of the District's bank deposits were in qualified public depositories.

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2020, none of the investments listed are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk:

There is no limit on the amount the District may invest in any one issuer.

Interest Rate Risk:

The District does not specifically address interest rate risk; however, their practice is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments. The District invests to provide sufficient liquidity to pay obligations as they come due.

NOTE 4 RESTRICTED ACCOUNTS

At September 30, 2020 the District reported the following restricted asset accounts:

	<u>Enterprise Fund</u>
Cash:	
Customer deposits	\$ 1,026,127
Total Restricted Cash	<u>\$ 1,026,127</u>
Investments:	
Reserve account - bond compliance	\$ 491,774
Interest account - bond compliance	55,988
Sinking Fund - bond compliance	368,750
Revenue account - bond compliance	3,738
Surplus account - bond compliance	19,777
Maintenance reserve - bond compliance	1,842,289
Connection fees - bond compliance	7,462,782
Operating reserve - bond compliance	1,007,391
	<u>\$ 11,252,489</u>

NOTE 5 CAPITAL ASSETS

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

	Beginning			Ending
	Balance	Additions	Disposals	Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land and land improvements	\$ 4,413,271	\$ -	\$ -	\$ 4,413,271
Total capital assets not being depreciated	4,413,271	-	-	4,413,271
Capital Assets Being Depreciated:				
Intangible asset - right to use	311,759	-	-	311,759
Infrastructure	4,076,642	-	-	4,076,642
Improvements	948,217	-	-	948,217
Equipment	6,627	5,847	-	12,474
Total capital assets being depreciated	5,343,245	5,847	-	5,349,092
Less Accumulated Depreciation for:				
Intangible asset - right to use	(18,705)	(6,235)	-	(24,940)
Infrastructure	(3,562,029)	(61,716)	-	(3,623,745)
Activity center	(939,472)	(1,973)	-	(941,445)
Equipment	(3,480)	(760)	-	(4,240)
Total accumulated depreciation	(4,523,686)	(70,684)	-	(4,594,370)
Total capital assets being depreciated, net	819,559	(64,837)	-	754,722
Governmental activities capital assets, net	\$ 5,232,830	\$ (64,837)	\$ -	\$ 5,167,993
Business-type Activities:				
Capital Assets, not being depreciated:				
Land	\$ 218,400	\$ -	\$ -	\$ 218,400
Construction in progress	-	1,510,413	-	1,510,413
Total capital assets, not being depreciated	218,400	1,510,413	-	1,728,813
Capital Assets Being Depreciated:				
Intangible asset - right to use	344,576	-	-	344,576
Improvements other than buildings	29,685,518	-	-	29,685,518
Total capital assets, being depreciated	30,030,094	-	-	30,030,094
Less accumulated depreciation for:				
Intangible asset - right to use	(20,676)	(6,892)	-	(27,568)
Improvements other than buildings	(13,494,032)	(817,493)	-	(14,311,525)
Total accumulated depreciation	(13,514,708)	(824,385)	-	(14,339,093)
Total capital assets being depreciated, net	16,515,386	(824,385)	-	15,691,001
Business-type activities capital assets, net	\$ 16,733,786	\$ 686,028	\$ -	\$ 17,419,814

For governmental activities, depreciation expense was charged to the maintenance and operations function/program.

NOTE 6 LONG-TERM LIABILITIES

Bonds Payable Series 2012 - Public Offering

On May 9, 2012, the District issued \$10,000,000 of Water and Sewer Revenue Refunding Bonds Series 2012 due May 1, 2024, with a fixed interest rate of 2.63%. The Bonds were issued to refund the District's outstanding Water and Sewer Revenue Bonds, Series 1999 and pay certain costs associated with the issuance of the Bonds. Interest is to be paid semiannually on each May 1 and November 1. Principal on the Bonds is to be paid serially commencing May 1, 2013 through May 1, 2024.

The Bonds are payable from pledged revenue which includes, without limitation, net revenue received by the District from the users of the water and sewer services. The Series 2012 Bonds are secured by the pledged revenue as defined in the Master Trust Indenture.

The Bonds are subject to redemption at the option of the District prior to their maturity. The Bonds are subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture.

The Bond 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 agreed to levy special assessments in annual amounts adequate to provide payment of debt service. Payment of principal and interest on the 2012 Bonds is secured by a pledge of and a first lien upon the pledged special assessment revenue. The District is in compliance with the requirements of the Bond Indenture.

Total principal and interest remaining on the Series 2012 Revenue Bonds at September 30, 2020 is \$3,973,736. For the year ended September 30, 2020, principal and interest paid was \$992,289.

Long-term debt activity for the year ended September 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Bonds Payable:					
Series 2012	\$ 4,555,000	\$ -	\$ (865,000)	\$ 3,690,000	\$ 885,000
Total	<u>\$ 4,555,000</u>	<u>\$ -</u>	<u>\$ (865,000)</u>	<u>\$ 3,690,000</u>	<u>\$ 885,000</u>

At September 30, 2020, the scheduled debt service requirements on the bonds payable were as follows:

<u>Year Ending September 30,</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 885,000	\$ 111,977
2022	910,000	85,121
2023	935,000	57,506
2024	960,000	29,132
	<u>\$ 3,690,000</u>	<u>\$ 283,736</u>

NOTE 7 DISPUTED TOHO WATER AUTHORITY CHARGES

The District receives a monthly invoice from Toho Water Authority (TWA) for purchased potable and reuse water, and wastewater and sewer based on the meter readings at the lift station. Per a Lager User Service Agreement (LUA) with TWA, the District agrees to limit and requires its customers to limit all wastewater introduced into the wastewater services systems to Domestic Wastewater in accordance with provisions of Division 4 of the Code of the city of Kissimmee. The results of tests conducted by TWA show that wastewater from the District exceeded the levels for TKN, oil and grease, and chemical oxygen demand (COD) as established by Division 4 of the code of the City of Kissimmee. Consequently, TWA has charged the District a total of \$286,477 for high strength discharge found in the water from June 2013 to September 2016. These charges have been accrued in the Water and Sewer Fund. The District is disputing these charges and the matter has not been resolved as of the report date.

NOTE 8 INTERLOCAL AGREEMENT

In a prior year, the District signed an Interlocal Agreement with Celebration Community Development District ("Celebration") for the development, operation and maintenance of Celebration's administrative facility. Per the agreement, the District agrees to pay Celebration its prorated share of the budgeted Administrative Facility's cost of development through a Development Contribution. Upon or prior to the execution of this Interlocal Agreement, the District shall pay Celebration a Development Contribution of \$700,555, which represents a prorata share of initial development costs based on the space allocated to the District. In a prior fiscal year, District paid total of \$786,335 for their portion of the development costs. The District has reported an intangible asset for the right to use the facility.

As part of the interlocal agreement, the Celebration Owner's Association should be paying assessments of approximately \$325,000 to offset the construction costs of the facility. Since the District paid for 40% of the construction costs, it will get that share (\$130,000) of the assessments when collected by Celebration.

In addition, per the agreement, the District agrees to pay Celebration \$14,448, its prorated share of the Administrative Facility's operations and maintenance costs (O&M Costs) on a monthly basis or in a lump sum payment. O&M Costs include utility costs (electric, water, sewer, reuse), janitorial, landscaping, pest control and window cleaning services as well as costs related to the common area (docking bays, parking, fencing, restroom facilities, etc.) and any repairs to the building.

The term of this Interlocal Agreement shall be for fifty (50) years. the District may elect to exercise two (2) additional ten (10) year options by delivering additional development contribution to Celebration no less than 90 days prior to the applicable termination of the Interlocal Agreement. If the District elects to exercise the first ten (10) year option, it shall pay Celebration a Development Contribution of \$350,275 or twenty (20%) of the District's initial Development Contribution plus inflation as calculated based on the Consumer Price Index (CPI-U). If the District elects to exercise the second ten (10) year option, it shall pay Celebration a Development Contribution of \$392,311 or twenty (20%) of the District's initial Development Contribution plus inflation as calculated based on the CPI-U, whichever is greater.

NOTE 9 MANAGEMENT COMPANY

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

NOTE 10 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. These risks are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage in the past three years.

COMPLIANCE SECTION

**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
Enterprise Community Development District

We have audited, 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, the financial statements of the governmental activities, business-type activities, and each major fund of the *Enterprise Community Development District* (the "District") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 30, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and 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.

McDermitt Davis

Orlando, Florida
March 30, 2021

MANAGEMENT LETTER

Board of Supervisors
Enterprise Community Development District

Report on the Financial Statements

We have audited the financial statements of the *Enterprise Community Development District*, (the "District") as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated March 30, 2021.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, rules of the Auditor General. Disclosures in those reports, which are dated March 30, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, require 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 such findings in the preceding annual financial 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. This information has been 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 has 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.

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 note 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.

McDiarmid Davis

Orlando, Florida
March 30, 2021



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**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH
THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES**

Board of Supervisors
Enterprise Community Development District

We have examined Enterprise Community Development District's (the District) compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2020. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence about the 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 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, 2020.

McDermitt Davis

Orlando, Florida
March 30, 2021