

Reserve Community Development District

ANNUAL FINANCIAL REPORT

September 30, 2020

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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
Reserve Community Development District
St. Lucie County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Reserve Community Development District as of and for the year ended September 30, 2020, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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To the Board of Supervisors
Reserve Community Development District

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Reserve Community Development District as of September 30, 2020, and the respective changes in financial position and, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) 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, economical 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 principally 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 the 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 June 15, 2021 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 the Reserve Community Development District's internal control over financial reporting and compliance.



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

June 15, 2021

**Reserve Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020**

Management's Discussion and Analysis (MD&A) of Reserve Community Development District (the "District") financial performance provides an objective and easily readable analysis of the District's financial activities. The analysis provides summary financial information for the District and should be read in conjunction with the District's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's basic financial statements comprise two components; 1) *Financial statements*, 2) *Notes to financial statements*. The *financial statements* present financial information for the District's major fund. The *Notes to financial statements* provide additional information concerning the District's finances that are not disclosed in the financial statements.

The *District financial statements* consist of three basic financial statements: the **Statement of Net Position**, the **Statement of Revenues, Expenses and Changes in Net Position** and the **Statement of Cash Flows**. These statements provide information on the District as a whole and present a long-term view of the District's Finances.

The Management's Discussion and Analysis, Financial Statements and accompanying Notes are prepared in accordance with the appropriate Governmental Accounting Standards Board (GASB) pronouncements.

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

Total assets and deferred outflows of the District at September 30, 2020 were \$7,536,826 of which capital assets of \$5,315,869 represented the major portion. Total assets and deferred outflows increased by \$297,899 or 4.1% from the prior fiscal year primarily due to an increase in investments. Total non-current assets net of depreciation were \$5,827,681.

Liabilities

Total liabilities of the District at September 30, 2020 were \$2,353,233, a \$(155,646) or 6.2% decrease from the prior year. This decrease is primarily attributed to a decrease in bonds payable at fiscal year end.

Current liabilities, consisting of mainly accounts payable, accrued liabilities, current portion of non-current liabilities and customers deposits amounted to \$521,505 at September 30, 2020. The balance represents an increase of \$14,354 from the prior year. Total non-current liabilities consisting of long term debt and prepaid connections, was \$1,831,728 compared to \$2,001,728 in the prior year.

**Reserve Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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, 2020.

- The District's total assets exceeded total liabilities \$5,183,593 (net position).
- The Enterprise Fund had \$1,987,484 in revenues and \$1,533,939 in expenses.

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

	Enterprise Fund	
	2020	2019
Current assets	\$ 1,672,792	\$ 1,330,676
Restricted assets	511,812	438,938
Capital assets	5,315,869	5,396,603
Total Assets	7,500,473	7,166,217
Deferred outflows of resources	36,353	72,710
Current liabilities	521,505	507,151
Non-current liabilities	1,831,728	2,001,728
Total Liabilities	2,353,233	2,508,879
Net Position		
Net investment in capital assets	3,787,313	3,795,227
Net position - restricted	385,498	304,094
Net position - unrestricted	1,010,782	630,727
Total Net Position	\$ 5,183,593	\$ 4,730,048

**Reserve Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District (Continued)

The increase in current asset and net position is the result of current year revenues exceeding expenses.

The decrease in capital assets is mainly the result of current year depreciation.

The decrease in total liabilities is related to the principal payment on long-term debt in the current year.

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

	Enterprise Fund	
	2020	2019
Program Revenues		
Charges for services	\$ 1,957,283	\$ 1,662,303
General Revenues		
Investment earnings	14,991	34,949
Miscellaneous	15,210	3,440
Total Revenues	1,987,484	1,700,692
Expenses		
General government	118,613	118,151
Interest on long-term debt	78,803	82,869
Water and sewer	1,336,523	1,213,910
Total Expenses	1,533,939	1,414,930
Change in Net Position	453,545	285,762
Net Position - Beginning of Year	4,730,048	4,444,286
Net Position - End of Year	\$ 5,183,593	\$ 4,730,048

The increase in charges for services is related to more water usage and the sale of capacity fees in the current year.

The increase in water and sewer is mainly related to the increase in bulk water purchases in the current year.

**Reserve Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Capital Assets Activity

The following schedule provides a summary of the District's capital assets at September 30, 2020 and 2019.

<u>Description</u>	<u>Enterprise Fund</u>	
	<u>2020</u>	<u>2019</u>
Land	\$ 563,850	\$ 563,850
Buildings and improvements	4,344,723	4,344,723
Machinery and equipment	959,010	802,328
Plant expansion	2,710,966	2,710,966
Accumulated depreciation	<u>(3,262,680)</u>	<u>(3,025,264)</u>
Total Capital Assets (Net)	<u>\$ 5,315,869</u>	<u>\$ 5,396,603</u>

The Enterprise Fund had additions of \$156,682 and depreciation of \$237,416.

Debt Management

Long-term debt includes the following:

- In May 2013, the District issued \$2,735,000 Series 2013 Utility Revenue Refunding Bonds. These bonds were issued to refund the Revenue Refunding Bonds, Series 2010. The balance outstanding at September 30, 2020 was \$1,670,000.

Economic Factors and Next Year's Budget

Reserve Community Development District does not expect any economic factors to have a significant effect on the financial position or results of operations of the water and sewer operation of the District in fiscal year 2021.

Request for Information

The financial report is designed to provide a general overview of Reserve 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 Reserve Community Development District, GMS-SF, LLC, 5385 N Nob Hill Road, Sunrise, Florida 33351.

Reserve Community Development District
STATEMENT OF NET POSITION – ENTERPRISE FUND
September 30, 2020

	Water and Sewer Fund
ASSETS	
Current Assets	
Cash	\$ 77,475
Investments	1,121,771
Accounts receivable, net of allowance \$9,248	164,667
Prepaid expenses	40,104
Deposits	365
Restricted assets:	
Cash and investments - customer deposits	268,410
Total Current Assets	1,672,792
Non-current Assets	
Investments-restricted	511,812
Capital assets, not being depreciated	
Land	563,850
Capital assets, being depreciated:	
Buildings and improvements	7,055,689
Equipment	959,010
Accumulated depreciation	(3,262,680)
Total Non-current Assets	5,827,681
Total Assets	7,500,473
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amount on refunding	36,353
Total Assets and Deferred Outflows of Resources	7,536,826
LIABILITIES	
Current Liabilities	
Accounts payable and accrued expenses	61,872
Accrued interest payable	21,223
Bonds payable	170,000
Liabilities payable from restricted assets	
Customer deposits payable from restricted assets	268,410
Total Current Liabilities	521,505
Non-current Liabilities	
Prepaid connections	331,728
Bonds payable	1,500,000
Total Non-current Liabilities	1,831,728
Total Liabilities	2,353,233
NET POSITION	
Net investment in capital assets	3,787,313
Restricted for debt service	219,494
Restricted for water/sewer	166,004
Unrestricted	1,010,782
Total Net Position	\$ 5,183,593

See accompanying notes.

Reserve Community Development District
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION – ENTERPRISE FUND
For the Year Ended September 30, 2020

	Water and Sewer Fund
Operating Revenues	
Charges for services	\$ 1,957,283
Miscellaneous revenues	15,210
Total Operating Revenues	1,972,493
Operating Expenses	
General and administrative	118,613
Water and sewer	1,336,523
Total Operating Expenses	1,455,136
Operating Income	517,357
Non-operating revenues (expenses)	
Interest income	14,991
Interest expense	(78,803)
Total Non-operating Revenues (Expenses)	(63,812)
Change In Net Position	453,545
Net Position - October 1, 2019	4,730,048
Net Position - September 30, 2020	\$ 5,183,593

See accompanying notes.

Reserve Community Development District
STATEMENT OF CASH FLOWS – ENTERPRISE FUND
For the Year Ended September 30, 2020

	Water and Sewer Fund
Cash Flows From Operating Activities	
Cash received from customers	\$ 1,959,471
Cash received from other sources	15,210
Cash paid to suppliers	(1,035,311)
Cash paid to employees	(182,270)
Net Cash Provided By Operating Activities	757,100
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(156,682)
Interest paid on capital debt	(44,543)
Principal payments on long-term debt	(165,000)
Net Cash Used by Capital and Related Financing Activities	(366,225)
Cash Flows From Investing Activities:	
Purchases of investments	(909,917)
Interest income	14,991
Net Cash Used by Investing Activities	(894,926)
Net decrease in cash and cash equivalents	(504,051)
Cash and equivalents - October 1, 2019	581,526
Cash and equivalents - September 30, 2020	\$ 77,475
Reconciliation of Net Operating income to Net Cash Provided By Operating Activities	
Cash Flows From Operating Activities	
Operating income	\$ 517,357
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	237,416
Changes in assets and liabilities	
Increase in accounts receivable	(10,712)
Decrease in prepaid expenses	1,588
Decrease in accounts payable and accrued liabilities	(1,449)
Increase in customer deposits	12,900
Total Adjustments	239,743
Net Cash Provided By Operating Activities	\$ 757,100

See accompanying notes.

Reserve Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Reserve Community Development District (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 February 15, 1992 pursuant to the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes, as amended (the "Act"), by an ordinance of the Board of County Commissioners of St. Lucie County, 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 or re-constructing, enlarging or extending, equipping, operating and maintaining water management, water supply, sewer and waste water management, bridges or culverts, district roads, landscaping, street lights and other basic infrastructure projects within or without the boundaries of the Reserve Community Development District. The District is governed by a five-member Board of Supervisors who are elected for four-year terms. The District operates within the criteria established by Chapter 190, Florida Statutes.

As required by GAAP, these financial statements present the Reserve 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 includes, but is 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, the District has identified no component units.

Reserve Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Basis of Presentation

The Water and Sewer Fund is an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expense including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, meter fees and connection fees, or (b) where the governing body has decided that periodic determination of revenues earned, expense incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Enterprise fund operating revenues result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues result from non-exchange transactions or ancillary activities.

3. 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. Negotiable direct or indirect obligations which are secured by the United States Government;
2. The Local Government Surplus Funds Trust as created by Section 218.415, Florida Statutes;
3. Interest-bearing time deposits or savings accounts in authorized financial institutions;
4. Obligations guaranteed by the Government National Mortgage Association or similarly structured and secured associations or corporations.

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less.

**Reserve Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

b. Restricted Assets

Certain net position of the District is classified as restricted net position 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, improvements, infrastructure and equipment, are reported in the Statement of Net Position.

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:

Buildings and improvements	10 - 50 years
Machinery and equipment	5 - 30 years
Plant Expansion	24 years

Reserve Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

d. Capitalization of Interest

Interest costs related to bond issues are capitalized during the construction period. These costs are netted against applicable interest earnings on construction fund investments. During the current period, the District did not have any capitalized interest.

e. Deferred Amount on Refunding

Deferred costs of refunding associated with the issuance of refunding bonds are presented on the financial statements and amortized over the life of the bonds using the straight line method of accounting. For financial reporting, the deferred costs of refunding are reported as a deferred outflow of resources on the statement of net position, in accordance with GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

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, 2020, the District's deposits had a bank balance of \$132,886 and a carrying value of \$77,475. 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.

**Reserve Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020**

NOTE B – CASH AND INVESTMENTS (CONTINUED)

As of September 30, 2020, the District had the following investments and maturities:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
First American Government Obligation Fund	44 days*	\$ 511,812
Florida Prime Fund	48 days*	<u>1,390,181</u>
Total		<u>\$ 1,901,993</u>

*Weighted average maturity

The District categorizes its fair value measurement 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. 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 realizable and is based on quoted price for identical assets, or liabilities, in an active market. Level 2 uses significant other observable inputs when obtained 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.

Based on the criteria in the preceding paragraph, the investment in First American Government Obligation Fund is a Level 1 asset.

Investments

The District's investment policy allows management to invest funds in investments permitted under Section 218.415, Florida Statutes. Among other investments, the policy allows the District to invest in the Florida Prime Fund.

Cash placed with the Florida Prime Fund is reported at fair value. As a pool participant the District invests in pools of investments in which shares are owned in the pool rather than the underlying investments.

Reserve Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE B – CASH AND INVESTMENTS (CONTINUED)

Credit Risk

The District's investments in treasury funds, commercial paper, and government loans 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, 2020, the District's investment in the First American Government Obligation Fund and Florida Prime was rated AAAM by Standard & Poor's. The District had monies invested in the Florida Prime Fund at September 30, 2020. This fund met the requirements of a "2-7a like pool" as defined in Government Accounting Standards Board, Statement 31.

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.

Concentration of Credit Risk

The District places no limit on the amount it may invest. The investments in First American Government Obligation Fund represent 27% and the investments in the Florida Prime Fund represents 73% of the Districts total investments.

The types of deposits and investments and their level of risk exposure as of September 30, 2020 were typical of these items during the fiscal year then ended. The District considers any decline in fair value for certain investments to be temporary.

**Reserve Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020**

NOTE C – CAPITAL ASSETS

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

The following is a summary of changes in the Water and Sewer Fund capital assets for the year ended September 30, 2020.

	<u>Balance 10/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/20</u>
<u>Enterprise Fund</u>				
Capital assets, not being depreciated:				
Land	\$ 563,850	\$ -	\$ -	\$ 563,850
Capital assets, being depreciated:				
Buildings and improvements	4,344,723	-	-	4,344,723
Plant expansion	2,710,966	-	-	2,710,966
Machinery and equipment	802,328	156,682	-	959,010
Total Capital Assets, Being Depreciated	<u>7,858,017</u>	<u>156,682</u>	<u>-</u>	<u>8,014,699</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,038,904)	(90,696)	-	(2,129,600)
Plant expansion	(780,322)	(112,896)	-	(893,218)
Machinery and equipment	(206,038)	(33,824)	-	(239,862)
Total Accumulated Depreciation	<u>(3,025,264)</u>	<u>(237,416)</u>	<u>-</u>	<u>(3,262,680)</u>
Total Capital Assets Depreciated, Net	<u>4,832,753</u>	<u>(80,734)</u>	<u>-</u>	<u>4,752,019</u>
Capital Assets, Net	<u>\$ 5,396,603</u>	<u>\$ (80,734)</u>	<u>\$ -</u>	<u>\$ 5,315,869</u>

Depreciation charged to the water and sewer function was \$237,416.

**Reserve Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020**

NOTE D – LONG-TERM DEBT

The following is a summary of long-term debt of the District for the year ended September 30, 2020:

	<u>Utility Revenue</u>
Long-term debt at October 1, 2019	\$ 1,835,000
Principal payments	(165,000)
Long-term debt at September 30, 2020	\$ 1,670,000

Long-term debt is comprised of the following:

Utility Revenue Refunding Bonds

On May 30, 2013, the District issued a \$2,735,000 Utility Revenue Refunding Bond, Series 2013 to provide funds to currently refund the outstanding Utility Revenue Refunding Bond, Series 2010.

\$2,735,000 Series 2013 Utility Revenue Refunding Bonds due in semiannual installments on each April 1 and October 1 through October 2028; interest payable fixed at 2.5% \$ 1,670,000

The annual requirements to amortize the principal and interest of bonded debt outstanding as of September 30, 2020 for the Water & Sewer Fund are as follows:

Year Ending September 30,	Principal	Interest	Total
2021	\$ 170,000	\$ 40,181	\$ 210,181
2022	170,000	35,872	205,872
2023	175,000	31,500	206,500
2024	180,000	27,069	207,069
2025	185,000	22,376	207,376
2026-2029	790,000	40,724	830,724
Totals	\$ 1,670,000	\$ 197,722	\$ 1,867,722

**Reserve Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020**

NOTE D – LONG-TERM DEBT (CONTINUED)

Summary of Significant Bonds Resolution Terms and Covenants

Utility Revenue Refunding Bonds, Series 2013

Reserve Fund – For deposit of an amount equal to the lesser of: (i) the Maximum Annual Debt Service Requirement for all Outstanding Bonds; (ii) 125% of the average annual debt service for all Outstanding Bonds; or (iii) the aggregate of 10% of the proceeds of each issue of Outstanding Bonds calculated as of the date of purchase by the initial Owners thereof.

	Utility Revenue Refunding Bonds	
	Reserve Balance	Reserve Requirement
Series 2013 Utility Revenue Refunding Bonds	\$ 111,100	\$ 105,091

NOTE E – DEFERRED OUTFLOWS OF RESOURCES

The following is a schedule of the deferred amount on refunding outstanding as of September 30, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance
Enterprise Fund	\$ 72,710	\$ -	\$ (36,357)	\$ 36,353

NOTE F – INTERLOCAL AGREEMENT

On February 10, 1993, the District entered into an interconnect agreement with St. Lucie West Services District (“St. Lucie”), which was subsequently amended and restated on November 12, 2003, to interconnect the system to the water and sewer system owned and operated by St. Lucie. In accordance with the terms of the amended agreement, the District will compensate St. Lucie for the connection to their water and sewer system in the amount of \$1,000 and \$900, respectively, per equivalent residential connection (“ERC”), or the approved connection charge in effect throughout the service area of the Utility System at the time of payment. The interconnect agreement was further amended on May 1, 2013 with the First Amendment to Amended and Restated Interconnect Agreement, which amended the amount of capacity reserved and timing and payment of the water and sewer capacity reserved among other provisions of the interconnect agreement. The phase II sewer capacity of 700 ERC’s at \$900 per ERC (\$630,000) was paid in full by May 1, 2013. The phase II water capacity of 800 ERC’s at \$1,235 per ERC (\$988,000) have also been paid in full.

**Reserve Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020**

NOTE F – INTERLOCAL AGREEMENT (CONTINUED)

In September 2017, the District entered into a new agreement with St. Lucie County for the County to administer a project to permit, design, construct, and install the Sabal Creek MSBU Potable Water Improvements. The County shall issue revenue bonds secured by non-ad valorem assessments to complete the project. Any other applicable fees and charges for connection to the District's Utility System will be the responsibility of the Landowners and/or the District. The District shall be responsible for operating and maintaining the Potable Water Improvements upon conveyance of the improvements by the County. During the current year the District received \$186,000 for capacity fees for Sabal Creek.

NOTE G – DEVELOPER AGREEMENTS

The District entered into an agreement with Mainstreet Village II, LLC ("Mainstreet") on March 11, 2008. Mainstreet owns or controls lands located in St. Lucie County, Florida. Mainstreet desires to promote the availability of central water and sewer facilities to occupants of each residential or commercial improvement constructed on its property. To induce the District to provide the water treatment and sewage collection and disposal facilities, and to continuously provide consumers located on the property with water and sewer services, Mainstreet agreed to construct and to transfer ownership and control to the District, or make payments on a basis of estimated cost of construction to the District in lieu of Mainstreet construction as a contribution-in-aid-of-construction, the on-site water distribution and sewage collection systems.

Upon completion of the installation, but prior to the issuance of the final letter of acceptance and the rendering of service by the District, Mainstreet prepaid fees and charges that are due under the terms of the agreement. Mainstreet paid the District connection fee charges to induce the District to reserve plant capacities for Mainstreet's proposed connection and for defraying the District's cost of water production, storage, and treatment, and its cost of wastewater treatment. Mainstreet prepaid and reserved 113 ERC of water and sewer capacity at \$1,100 per ERC for water service availability and \$900 per ERC of sewer availability. The District also imposed an inspection charge equal to its actual costs, not to exceed 2% of the construction cost, either actual or estimated, of the subject water and sewer facilities as installed by Mainstreet.

In June 2018, the District entered into an agreement with The School Board of St. Lucie County ("The School Board"). The School Board agreed to purchase connection fees from Mainstreet Village II, LLC for approximately twenty-five ERC for both water and wastewater. During the current fiscal year, The School Board paid Mainstreet the sum of \$2,000 per ERC for water and wastewater capacity. Upon completion of the connection, the District will provide water and wastewater services, at their applicable rates for service, in accordance with the Agreement and the School Board will maintain all facilities to which the services are provided.

NOTE H – RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the government carries commercial insurance. There were no claims or settled claims from these risks that exceeded commercial insurance coverage in the last three years.



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
Reserve Community Development District
St. Lucie County, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America the financial statements of the Reserve 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 Reserve Community Development District's basic financial statements, and have issued our report thereon dated June 15, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Supervisors
Reserve Community Development District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 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.

*Berger Toombs Elam
Gaines & Frank*

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

June 15, 2021



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
Reserve Community Development District
St. Lucie County, Florida

Report on the Financial Statements

We have audited the financial statements of the Reserve Community Development District as of and for the year ended September 30, 2020, and have issued our report thereon dated June 15, 2021.

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 June 15, 2021, 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. There were no findings or recommendations in the preceding audit.

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 Reserve 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 Reserve Community Development District did not meet any of the conditions described in Section 218.503(1) Florida Statutes.

To the Board of Supervisors
Reserve Community Development District

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 Reserve Community Development District. It is management's responsibility to monitor the Reserve 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, 2020.

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 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.

*Berger Toombs Elam
Gaines & Frank*

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

June 15, 2021



**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
Reserve Community Development District
St. Lucie County, Florida

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

In our opinion, Reserve Community Development District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2020.

*Berger Toombs Elam
Gaines & Frank*

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

June 15, 2020