

Financial Report

September 30, 2020

University Square Community Development District

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
University Square Community Development District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of the *University Square 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 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 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, and each major fund of the District as of September 30, 2020, and the respective changes in financial position 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 May 28, 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.

McDiemit Davis

Orlando, Florida
May 28, 2021

Our discussion and analysis of the *University Square Community Development District's* (the "District") financial performance provides an overview of the District's financial activities for the fiscal years ended September 30, 2020 and 2019. Please read it in conjunction with the District's financial statements which immediately follow this discussion.

Financial Highlights

The following are the highlights of financial activity for the year ended September 30, 2020:

- The District's total assets exceeded its liabilities at September 30, 2020 by \$501,786, an increase in net position of \$342,699 in comparison with the prior year. This increase is primarily attributable to debt service special assessments in excess of interest expense.
- At September 30, 2020, the District's governmental funds reported a combined fund balance of \$685,825, a decrease of \$24,547 in comparison with the prior year.

Using the Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities on pages 6-7 provide information about the activities of the district as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 8. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

Reporting the District as a whole

Our analysis of the District as a whole begins on page 4. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. You can think of the District's net position - the difference between assets and liabilities - as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors; however, such as changes in the District's assessment base and the condition of the District's infrastructure, to assess the overall health of the District. The government-wide financial statements can be found on pages 6-7 of this report.

Reporting the District's most significant funds

Our analysis of the District's major funds begins on page 5. The fund financial statements begin on page 8 and provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. All of the District's funds are governmental fund-types.

All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities and governmental funds in a reconciliation with the fund financial statements.

Government-Wide Financial Analysis

The following table reflects the condensed government-wide statements of net position as of September 30, 2020 and 2019:

Statement of Net Position

	<u>2020</u>	<u>2019</u>
Assets, excluding capital assets	\$ 688,146	\$ 717,179
Capital Assets, net of depreciation	<u>12,763,448</u>	<u>13,122,747</u>
Total assets	<u>13,451,594</u>	<u>13,839,926</u>
Deferred Outflows of Resources	<u>110,271</u>	<u>116,572</u>
Liabilities, excluding long-term liabilities	215,079	232,411
Long-term Liabilities	<u>12,845,000</u>	<u>13,565,000</u>
Total liabilities	<u>13,060,079</u>	<u>13,797,411</u>
Net Position:		
Net investment in capital assets	28,719	(325,681)
Restricted for debt service	232,653	231,466
Restricted for capital projects	93,547	92,873
Unrestricted	<u>146,867</u>	<u>160,429</u>
Total net position	<u>\$ 501,786</u>	<u>\$ 159,087</u>
Changes in Net Position		
	<u>2020</u>	<u>2019</u>
Revenues:		
Program revenues	\$ 1,330,817	\$ 1,339,932
General revenues	<u>104</u>	<u>215</u>
Total revenues	<u>1,330,921</u>	<u>1,340,147</u>
Expenses:		
General government	75,371	74,191
Maintenance and operations	377,946	366,669
Interest on long-term debt	<u>534,905</u>	<u>564,869</u>
Total expenses	<u>988,222</u>	<u>1,005,729</u>
Change in net position	342,699	334,418
Net position, beginning	<u>159,087</u>	<u>(175,331)</u>
Net position, ending	<u>\$ 501,786</u>	<u>\$ 159,087</u>

Governmental activities for the year ended September 30, 2020 increased the District's net position by \$342,699 as reflected in the table above.

The District's Funds

As the District completed the year, its governmental funds (as presented in the balance sheet on page 8) reported a combined fund balance of \$685,825 which is a decrease of \$24,547 from last year's balance that totaled \$710,372. The decrease is primarily attributed to debt service fund expenditures and general fund maintenance and operations expenditures exceeding assessments for the fiscal year ended September 30, 2020.

The fund balance of the Debt Service Fund decreased by \$11,659 because current year debt service expenditures exceeded the current year assessments. The fund balance of the Capital Projects Fund increased \$674 due to receiving investment income revenue. The fund balance of the General Fund decreased by \$13,562 because maintenance and operations expenditures exceeded special assessment revenue. At September 30, 2020, the District's governmental funds reported a combined fund balance of \$685,825. Of this total, \$538,958 is restricted, \$125,000 is assigned, \$6,218 is nonspendable and the remainder is an unassigned fund balance of \$15,649.

Governmental Funds Budgetary Highlights

An operating budget was established by the government board for the District pursuant to the requirements of the Florida Statutes. The budget to actual comparison for the general fund, including the original budget and final adopted budget, is shown on page 11.

Capital Asset and Debt Administration

Capital Assets

At September 30, 2020, the District had approximately \$12.8 million invested in capital assets. This amount represents a net decrease of \$367,505 for current year depreciation.

<u>September 30,</u>	<u>2020</u>	<u>2019</u>	<u>Change</u>
Capital Assets Not Being Depreciated	\$ 7,593,312	\$ 7,593,312	\$ -
Capital Assets Being Depreciated	<u>10,719,086</u>	<u>10,710,880</u>	<u>8,206</u>
Total, prior to depreciation	18,312,398	18,304,192	8,206
Accumulated depreciation	<u>(5,548,950)</u>	<u>(5,181,445)</u>	<u>(367,505)</u>
Net Capital Assets	<u>\$ 12,763,448</u>	<u>\$ 13,122,747</u>	<u>\$ (359,299)</u>

More information about the District's capital assets is presented in Note 4 to the financial statements.

Debt

At September 30, 2020, the District had \$12.8 million in bonds outstanding. This amount represents a net decrease of \$720,000 from the prior fiscal year.

<u>September 30,</u>	<u>2020</u>	<u>2019</u>	<u>Change</u>
Series 2012 Bonds	\$ 4,185,000	\$ 4,565,000	\$ (380,000)
Series 2017 Notes	<u>8,660,000</u>	<u>9,000,000</u>	<u>(340,000)</u>
	<u>\$ 12,845,000</u>	<u>\$ 13,565,000</u>	<u>\$ (720,000)</u>

Additional information on the District's long-term debt is presented in Note 5 to the financial statements.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the *University Square Community Development District's*, Finance Department at 2300 Glades Road, Suite 410W, Boca Raton, Florida 33431.

FINANCIAL STATEMENTS

University Square Community Development District
Statement of Net Position
September 30, 2020

	Governmental Activities
Assets:	
Cash	\$ 142,894
Assessments receivable	4,944
Prepaid expenses	6,218
Restricted assets:	
Temporarily restricted investments	534,090
Capital assets:	
Capital assets not being depreciated	7,593,312
Capital assets being depreciated, net	5,170,136
Total assets	13,451,594
Deferred Outflows of Resources:	
Deferred charge on refunding	110,271
Liabilities:	
Accounts payable and accrued expenses	2,321
Accrued interest payable	212,758
Noncurrent liabilities:	
Due within one year	730,000
Due in more than one year	12,115,000
Total liabilities	13,060,079
Net Position:	
Net investment in capital assets	28,719
Restricted for debt service	232,653
Restricted for capital projects	93,547
Unrestricted	146,867
Total net position	\$ 501,786

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

Functions/Programs	Expenses	Charges for Services	Program Revenue		Net (Expense) Revenue and Changes in Net Position
			Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government	\$ 75,371	\$ 13,122	\$ -	\$ -	\$ (62,249)
Maintenance and operations	377,946	67,230	-	-	(310,716)
Interest on long-term debt	534,905	1,246,299	3,492	674	715,560
Total governmental activities	\$ 988,222	\$ 1,326,651	\$ 3,492	\$ 674	342,595
General Revenues:					
Investment income					104
Change in net position					342,699
Net position, beginning					159,087
Net position, ending					\$ 501,786

University Square Community Development District
Balance Sheet - Governmental Funds
September 30, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Assets:				
Cash	\$ 142,894	\$ -	\$ -	\$ 142,894
Investments	-	440,543	93,547	534,090
Assessments receivable	76	4,868	-	4,944
Prepaid expenses	6,218	-	-	6,218
Total assets	<u>\$ 149,188</u>	<u>\$ 445,411</u>	<u>\$ 93,547</u>	<u>\$ 688,146</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued expenses	\$ 2,321	\$ -	\$ -	\$ 2,321
Fund Balances:				
Nonspendable	6,218	-	-	6,218
Restricted for debt service	-	445,411	-	445,411
Restricted for capital projects	-	-	93,547	93,547
Assigned for subsequent year's expenditures	40,000	-	-	40,000
Assigned for disaster recovery	85,000	-	-	85,000
Unassigned	15,649	-	-	15,649
Total fund balances	<u>146,867</u>	<u>445,411</u>	<u>93,547</u>	<u>685,825</u>
Total liabilities and fund balances	<u>\$ 149,188</u>	<u>\$ 445,411</u>	<u>\$ 93,547</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.				12,763,448
Deferred charge on refunding, which are expenditures in the fund statements, are deferred and amortized over the life of the bonds.				110,271
Liabilities not due and payable from current available resources are not reported in governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide statements.				
	Accrued interest payable	(212,758)		
	Bonds and notes payable	<u>(12,845,000)</u>		<u>(13,057,758)</u>
Net Position of Governmental Activities				<u>\$ 501,786</u>

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

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues:				
Special assessments	\$ 80,352	\$ 1,246,299	\$ -	\$ 1,326,651
Investment income	104	3,492	674	4,270
Total revenues	<u>80,456</u>	<u>1,249,791</u>	<u>674</u>	<u>1,330,921</u>
Expenditures:				
Current:				
General government	75,371	-	-	75,371
Maintenance and operations	18,647	-	-	18,647
Debt service:				
Interest	-	541,450	-	541,450
Principal	-	720,000	-	720,000
Total expenditures	<u>94,018</u>	<u>1,261,450</u>	<u>-</u>	<u>1,355,468</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(13,562)</u>	<u>(11,659)</u>	<u>674</u>	<u>(24,547)</u>
Net change in fund balances	<u>(13,562)</u>	<u>(11,659)</u>	<u>674</u>	<u>(24,547)</u>
Fund balances, beginning of year	<u>160,429</u>	<u>457,070</u>	<u>92,873</u>	<u>710,372</u>
Fund balances, end of year	<u><u>\$ 146,867</u></u>	<u><u>\$ 445,411</u></u>	<u><u>\$ 93,547</u></u>	<u><u>\$ 685,825</u></u>

University Square 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 9) \$ (24,547)

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, depreciation is reported as an expense in the statement of net position.

Capital outlay		8,206
Depreciation		(367,505)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal on long-term debt uses current financial resources of governmental funds. Neither transaction however has any effect on net position.

Repayment of bonds payable		720,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest	12,846		
Amortization of deferred charge on refunding	(6,301)		6,545
Change in Net Position of Governmental Activities (page 7)			\$ 342,699

University Square 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:				
Special assessments	\$ 80,234	\$ 80,234	\$ 80,352	\$ 118
Investment Income	150	150	104	(46)
Total revenues	<u>80,384</u>	<u>80,384</u>	<u>80,456</u>	<u>72</u>
Expenditures:				
Current:				
General government	74,981	74,981	75,371	(390)
Maintenance and operations	<u>7,500</u>	<u>7,500</u>	<u>18,647</u>	<u>(11,147)</u>
Total expenditures	<u>82,481</u>	<u>82,481</u>	<u>94,018</u>	<u>(11,537)</u>
Net change in fund balance	(2,097)	(2,097)	(13,562)	(11,465)
Fund balance, beginning	<u>160,429</u>	<u>160,429</u>	<u>160,429</u>	<u>-</u>
Fund balance, ending	<u>\$ 158,332</u>	<u>\$ 158,332</u>	<u>\$ 146,867</u>	<u>\$ (11,465)</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 1 NATURE OF ORGANIZATION

The University Square Community Development District (the "District") was established on August 10, 1998, pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190 of the Florida Statutes, by Lee County Ordinance No. 98-14. The Act provides, among other things, the power to manage basic services for community development, the power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

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

The District is governed by a Board of Supervisors (the "Board"), which is composed of five members. The Supervisors are elected on an at large basis by the owners of the property within the District. During the reporting period, all Supervisors were affiliated with the Developer of the District, Miromar Development Corporation, the Developer. The District is economically dependent on the Developer. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has a final responsibility for:

- Assessing and levying special assessments
- Approving budgets
- Exercising control over facilities and property
- Controlling the use of funds generated by the District
- Approving the hiring and firing of key personnel
- Financing improvements

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth by Generally Accepted Accounting Principles (GAAP). The primary criteria for including organizations within the District's reporting entity, as defined by the Governmental Accounting Standards Board (GASB) Statements No. 14, 39 and 61. The District is financially accountable if it appoints a voting majority of the organization's governing body and (a) a separately elected governing board, (b) a governing board appointed by a higher level of government, or a jointly appointed board. Based on the foregoing criteria, no potential component units were found.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to Generally Accepted Accounting Principles (GAAP) as applicable to governments in accordance with those promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the District's more significant accounting policies:

Government-wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by assessments, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The business-type activities are reported separately in government-wide financial statements; however, at September 30, 2020, the District did not have any significant business-type activities. Therefore, no business-type activities are reported. Assessments and other items not properly included as program revenues (i.e., charges to customers or applicants who purchase, use, or directly benefit from goods or services) are reported as general revenues.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Basis of Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The District's Assessments are included on the property tax bill that all landowner's receive, all property within the District is classified as commercial. The Florida Statutes provide that special assessments may be collected by using the Uniform Method. Under the Uniform Method, the District's Assessments will be collected together with County and other taxes. These Assessments will appear on a single tax bill issued to each landowner subject to such. The statutes relating to enforcement of County taxes provide that County taxes become due and payable on November 1 of the year when assessed or as soon thereafter as certified tax roll is received by the Tax Collector and constitute a lien upon the land from January 1 of such year until paid or barred by operation of law. Such taxes (together with any assessments, being collected by the Uniform Method) are to be billed, and landowners in the District are required to pay all such taxes and assessments, without preference in payment of any particular increment of the tax bill, such as the increment owing for the District's Assessments. Upon any receipt of moneys by the Tax Collector from the Assessments, such moneys will be delivered to the District.

All city, county, school and special district ad valorem taxes, non-ad valorem special assessments and voter-approved ad valorem taxes levied to pay principal of and interest on bonds, including the District Assessments, that are collected by the Uniform Method are payable at one time. If a taxpayer does not make complete payment of the total amount, he or she cannot designate specific line items on his or her tax bill as deemed paid in full and such partial payment is not to be accepted and is to be returned to the taxpayer, provided, however that a taxpayer may contest a tax assessment pursuant to certain conditions in Florida Statutes and other applicable law.

Under the Uniform Method, if the Assessments are paid during November when due or at any time within thirty (30) days after mailing of the original tax notice or during the following three months, the taxpayer is granted a variable discount equal to 4% in November and decreasing one percentage point per month to 1% in February. March payments are without discount. Pursuant to Section 197.222, Florida Statutes, taxpayers may elect to pay estimated taxes, which may include non-ad valorem special assessments such as the District's Assessments in quarterly installments with a variable discount equal to 6% on June 30 decreasing to 3% on December 31, with no discount on March 31. All unpaid taxes and assessments become delinquent on April 1 of the year following assessment, and the Tax Collector is required to collect taxes prior to April 1 and after that date to institute statutory procedures upon delinquency to collect assessed taxes. Delay in the mailing of the notices to taxpayers may result in a delay throughout this process.

Collection of Delinquent Assessments under the Uniform Method is, in essence, based upon the sale by the Tax Collector of "tax certificates" and remittance of the proceeds of such sale to the District for payment of the Assessment due.

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. All other revenue items are considered to be measurable and available only when cash is received by the District.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District reports the following major governmental funds:

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

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for the annual payment of principal and interest on long-term debt.

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

For the year ended September 30, 2020, the District does not report any proprietary funds.

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

Cash, Deposits and Investments

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

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

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.

Capital Assets

Capital assets, which include primarily infrastructure assets (e.g., roads, sidewalks, water management systems and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial/individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost and estimated historical cost if purchased or constructed. Donated assets are recorded at 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 asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Assets	Years
Infrastructure	15 - 50
Improvements Other than Buildings	10 - 25

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Bond issuance costs are expensed.

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 the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while 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 debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report 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 that qualifies for reporting in this category for the year ended September 30, 2020. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District does not have any item that qualifies for reporting in this category for the year ended September 30, 2020.

Net Position Flow Assumptions

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.

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).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Estimates

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

New Accounting Standards Issued

In fiscal year 2020, the District implemented Government Account 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.

Budgets

Budgetary Information

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

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

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

Expenditures in Excess of Appropriations

Expenditures exceeded appropriations for the year ended September 30, 2020. These excess expenditures were funded by available fund balance.

NOTE 3 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 price for identical assets, or liabilities, in an active market. Level 2 uses significant other observable inputs when obtaining quoted prices for identical or similar assets, or liabilities, in markets that are not active. Level 3 is the least reliable, and uses significant unobservable inputs that uses the best information available under the circumstances, which includes the District's own data in measuring unobservable inputs.

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.

The District has the following recurring fair value measurements as of September 30, 2020:

- Money market mutual funds of \$371,703 are valued using Level 2 inputs.

The following is a summary of the District's investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity</u>
First American Government Obligation Fund Y	\$ 371,703	AAAm	44 days
Florida Community Bank MMA	162,387	N/A	N/A
	<u>\$ 534,090</u>		

Custodial credit risk

For an investment, custodial credit risk is the risk that the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The District has no formal policy for custodial risk. At September 30, 2020, all investments, except for investments in money market funds, were held in custodial accounts in the District's name by an independent custodial bank.

Concentration risk

The District does not have a formal policy for addressing interest rate risk; however, investments are made with discretion, to see reasonable returns, preserve capital, and in general, avoid speculative investments. The District manages its exposure to declines in fair values from interest rate changes by reviewing the portfolio on an ongoing basis for changes in effective yield amounts.

Interest rate risk

Florida Statutes provide that the investment portfolio be structured in such a manner as to provide sufficient liquidity to pay obligations as they come due. The District complies with the requirements of the Florida Statutes.

NOTE 4 CAPITAL ASSETS

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

	Beginning Balance October 1, 2019	Additions	Disposals	Balance at September 30, 2020
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 7,593,312	\$ -	\$ -	\$ 7,593,312
Total capital assets, not being depreciated	7,593,312	-	-	7,593,312
Capital assets Being Depreciated:				
Infrastructure	9,644,754	8,206	-	9,652,960
Improvements other than buildings	1,066,126	-	-	1,066,126
Total capital assets being depreciated	10,710,880	8,206	-	10,719,086
Total capital assets	18,304,192	8,206	-	18,312,398
Less Accumulated Depreciation for:				
Infrastructure	(4,463,120)	(342,088)	-	(4,805,208)
Improvements other than buildings	(718,325)	(25,417)	-	(743,742)
Total accumulated depreciation	(5,181,445)	(367,505)	-	(5,548,950)
Total capital assets being depreciated, net	5,529,435	(359,299)	-	5,170,136
Governmental activities capital assets, net	\$ 13,122,747	\$ (359,299)	\$ -	\$ 12,763,448

Depreciation of \$367,505 was allocated to maintenance and operations in the Statement of Activities.

NOTE 5 BONDS AND NOTES PAYABLE

Taxable Capital Improvement Revenue Bonds, Series 2012 - Public Offering

On September 30, 2012, the District issued \$6,735,000 Series 2012 Capital Improvement Revenue Bonds. The Series 2012 Bonds bear interest of 5% and mature in May 2029. Interest is paid semi-annually on each May 1 and November 1. The Bonds were issued to redeem and refund the Series 1999 Bonds and are secured by the pledge of revenues derived from the collection of non-ad valorem special assessments. The cash flow requirements required to service the Series 2012 Refunding Bonds is \$246,008 less than the cash flow requirements required to service the Series 1999 Refunded Bonds.

The bonds are subject to mandatory redemption at par on a schedule of annual redemptions from May 2013 through May 2029, the maturity dates. The District is required to redeem the bonds at par prior to schedule from the proceeds of any assessments prepaid or if certain events occur as outlined in the Bond Indenture. The bonds are subject to redemption at the option of the District on or after May 1, 2018.

The Bond Indentures have 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. The District is in compliance with the requirements of the Bond Indentures.

For the current fiscal year, \$228,250 of interest and \$380,000 of principal was paid on these bonds. Total special assessment revenue was \$592,676 in the current year. Principal and interest remaining on these bonds at September 30, 2020 totals \$5,301,000.

In the event of default, all principal and interest of the Bond may become immediately due and payable.

Special Assessment Revenue Notes, Series 2017 - Private Placement

On March 10, 2017, the District issued \$9,595,000 Series 2017 Special Assessment Revenue Notes. The Series 2017 Notes bear interest of 3.48% and mature in May 2038. Interest is paid semi-annually on each May 1 and November 1. The Notes were issued to refund the Capital Improvement Revenue Bonds, Series 2007, pay for certain issuance costs and construction of certain improvements for the benefit of the property within the District. The Notes are secured by the pledge of revenues derived from the collection of non-ad valorem special assessments.

The Notes are subject to mandatory redemption at par on a schedule of annual redemptions from May 2009 through and May 2038, the maturity dates. The District is required to redeem the Notes at par prior to schedule from the proceeds of any assessments prepaid or if certain events occur as outlined in the Note Indenture. The Notes are subject to redemption at the option of the District on or after May 1, 2018.

The Note Indentures have 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. The District is in compliance with the requirements of the Note Indentures.

For the current fiscal year, \$313,200 of interest and \$340,000 of principal was paid on these notes. Total special assessment revenue was \$653,623 in the current year. Principal and interest remaining on these notes at September 30, 2020 totals \$11,802,962.

The Note Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirements as defined in the Indenture. The requirement has been met for the fiscal year ended September 30, 2020.

In the event of default, all principal and interest of the Note may become immediately due and payable.

NOTE 5 BONDS AND NOTES PAYABLE (CONTINUED)

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

	<u>Balance</u> <u>October 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>September 30,</u> <u>2020</u>	<u>Due Within One</u> <u>Year</u>
Special Assessment Revenue Bonds, Series 2012	\$ 4,565,000	\$ -	\$ (380,000)	\$ 4,185,000	\$ 380,000
Special Assessment Revenue Notes, Series 2017	9,000,000	-	(340,000)	8,660,000	350,000
Total	<u>\$ 13,565,000</u>	<u>\$ -</u>	<u>\$ (720,000)</u>	<u>\$ 12,845,000</u>	<u>\$ 730,000</u>

At September 30, 2020, the scheduled debt service requirements on long-term debt were as follows:

<u>Year Ending September</u> <u>30,</u>	<u>Bonds - Public Offering</u>		<u>Notes - Private Placement</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2021	\$ 380,000	\$ 209,250	\$ 350,000	\$ 301,368	\$ 1,240,618
2022	395,000	190,250	365,000	289,188	1,239,438
2023	415,000	170,500	380,000	276,486	1,241,986
2024	440,000	149,750	390,000	263,262	1,243,012
2025	460,000	127,750	405,000	249,690	1,242,440
2026-2030	2,095,000	268,500	2,250,000	1,026,600	5,640,100
2031-2035	-	-	2,675,000	606,564	3,281,564
2036-2038	-	-	1,845,000	129,804	1,974,804
	<u>\$ 4,185,000</u>	<u>\$ 1,116,000</u>	<u>\$ 8,660,000</u>	<u>\$ 3,142,962</u>	<u>\$ 17,103,962</u>

NOTE 6 RISK MANAGEMENT

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

NOTE 7 MANAGEMENT COMPANY

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

NOTE 8 CONCENTRATION

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

During the year ended September 30, 2020, the Developer paid approximately \$1,100,000, representing 82% of total assessment revenue for the year.

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
University Square 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, and each major fund of the *University Square 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 May 28, 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, 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.

McDermitt Davis

Orlando, Florida
May 28, 2021

MANAGEMENT LETTER

Board of Supervisors
University Square Community Development District

Report on the Financial Statements

We have audited the financial statements of the *University Square Community Development District* (the "District"), as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated May 28, 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.

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 May 28, 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, requires 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 identification of 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
May 28, 2021



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

Board of Supervisors
University Square Community Development District

We have examined University Square 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
May 28, 2021