# Montecito Community Development District

## ANNUAL FINANCIAL REPORT

## September 30, 2021

**Montecito Community Development District**

**ANNUAL FINANCIAL REPORT**

**September 30, 2021**

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# REPORT OF INDEPENDENT AUDITORS

To the Board of Supervisors
Montecito Community Development District
Satellite Beach, Florida

## Report on the Financial Statements

We have audited the accompanying financial statements of Montecito Community Development District as of and for the year ended September 30, 2021, 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.

To the Board of Supervisor
Montecito Community Development District

**Basis for Adverse Opinion on the Discretely Presented Component Units**

The financial statements do not include financial data for one of the District's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component unit. The District has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net position, revenues, and expenses of the aggregate discretely presented component units should have been presented.

**Adverse Opinion**

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Discretely Presented Component Units", the financial statements referred to above do not present fairly, the financial position of the discretely presented component units of the District as of September 30, 2021, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Qualified Opinion**

In our opinion, except for the effects of the matter described in the "Basis for Adverse Opinion on the Discretely Presented Component Unit" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining fund information of the District as of September 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Unmodified Opinions**

In our opinion, the financial statements referred to previously 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, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Berger, Toombs, Elam,
Gaines & Frank
Certified Public Accountants PL

To the Board of Supervisors
Montecito Community Development District

**Other Matters**

*Required Supplementary Information*

Governmental accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by *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 in accordance with governmental auditing standards generally accepted in the United States of America, which consisted principally of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated May 3, 2022 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 Montecito Community Development District's internal control over financial reporting and compliance.

Berger Toombs Elam
Gaines & Frank

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

May 3, 2022

**Montecito Community Development District**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**For the Year Ended September 30, 2021**

Management's discussion and analysis of Montecito 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 three components; 1) *Government-wide financial statements,* 2) *Fund financial statements,* and 3) *Notes to financial statements.* The *Government-wide financial statements* present an overall picture of the District's financial position and results of operations. The *Fund financial statements* present financial information for the District's major funds. The *Notes to financial statements* provide additional information concerning the District's finances.

The *Government-wide financial statements* are the **statement of net position** and the **statement of activities**. These statements use accounting methods similar to those used by private-sector companies. Emphasis is placed on the net position of governmental activities and the change in net position. Governmental activities are primarily supported by special assessments.

The **statement of net position** presents information on all assets and liabilities of the District, with the difference between assets and liabilities reported as net position. Net position are reported in three categories; 1) net investment in capital assets, 2) restricted, and 3) unrestricted. Assets, liabilities, and net position are reported for all Governmental activities.

The **statement of activities** presents information on all revenues and expenses of the District and the change in net position. Expenses are reported by major function and program revenues relating to those functions are reported, providing the net cost of all functions provided by the District. To assist in understanding the District's operations, expenses have been reported as governmental activities. Governmental activities financed by the District include general government, physical environment, culture/recreation and debt service.

*Fund financial statements* present financial information for governmental funds. These statements provide financial information for the major funds of the District. Governmental fund financial statements provide information on the current assets and liabilities of the funds, changes in current financial resources (revenues and expenditures), and current available resources.

## OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

*Fund financial statements* include a **balance sheet** and a **statement of revenues, expenditures and changes in fund balances** for all governmental funds. A **statement of revenues, expenditures, and changes in fund balances – budget and actual** is provided for the District's General Fund. *Fund financial statements* provide more detailed information about the District's activities. Individual funds are established by the District to track revenues that are restricted to certain uses or to comply with legal requirements.

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

*Notes to financial statements* provide additional detail concerning the financial activities and financial balances of the District. Additional information about the accounting practices of the District, investments of the District, capital assets and long-term debt are some of the items included in the *notes to financial statements.*

### Financial Highlights

The following are the highlights of financial activity for the year ended September 30, 2021.

- The District's total assets exceeded total liabilities by $8,854,630 (net position). Unrestricted net position for Governmental Activities was $379,589. Net investment in capital assets was $8,352,959 and restricted net position was $122,082.

- Governmental activities revenues and debt cancellation totaled $6,853,030 while governmental activities expenses totaled $1,575,045.

## OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

### Financial Analysis of the District

The following schedule provides a summary of the assets, liabilities and net position of the District and is presented by category for comparison purposes.

**Net Position**

| | Governmental Activities | |
|---|---|---|
| | **2021** | **2020** |
| Current assets | $ 529,891 | $ 435,516 |
| Restricted assets | 1,015,094 | 2,710,875 |
| Capital assets | 13,207,606 | 13,835,643 |
| Total Assets | 14,752,591 | 16,982,034 |
| | | |
| Current liabilities | 2,142,961 | 9,485,389 |
| Non-current liabilities | 3,755,000 | 3,920,000 |
| Total Liabilities | 5,897,961 | 13,405,389 |
| | | |
| Net investment in capital assets | 8,352,959 | 5,467,355 |
| Restricted net position | 122,082 | - |
| Net position - unrestricted | 379,589 | (1,890,710) |
| Total Net Position | $ 8,854,630 | $ 3,576,645 |

The decrease in restricted assets is related to the payment of matured principal and matured interest.

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

The decrease in current liabilities is primarily related to payments on the matured interest and bonds outstanding and the cancellation of certain long-term debt.

The increase in net position is related to the debt cancellation in the current year.

## OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

### Financial Analysis of the District (Continued)

The following schedule provides a summary of the changes in net position of the District and is presented by category for comparison purposes.

**Change In Net Position**

| | Governmental Activities | |
|---|---|---|
| | 2021 | 2020 |
| Program Revenues | | |
| Charges for services | $ 2,653,469 | $ 3,511,206 |
| General Revenues | | |
| Investment earnings | 268 | 9,867 |
| Miscellaneous revenues | 36,228 | 14,719 |
| Total Revenues | 2,689,965 | 3,535,792 |
| Expenses | | |
| General government | 145,823 | 158,061 |
| Physical environment | 722,253 | 820,401 |
| Culture/recreation | 321,892 | 325,977 |
| Interest and other charges | 385,077 | 517,052 |
| Total Expenses | 1,575,045 | 1,821,491 |
| Cancellation of debt | 4,163,065 | - |
| Change in Net Position | 5,277,985 | 1,714,301 |
| Net Position - Beginning of Year | 3,576,645 | 1,862,344 |
| Net Position - End of Year | $ 8,854,630 | $ 3,576,645 |

The decrease in charges for services is related to the decrease in prepayments and lot closings in the current year.

The decrease in physical environment is related to the decrease in repair and maintenance projects in the current year.

## OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

### Capital Assets Activity

The following schedule provides a summary of the District's capital assets as of September 30, 2021 and 2020.

| Description | Governmental Activities 2021 | 2020 |
|---|---|---|
| Land | $ 6,788,410 | $ 6,788,410 |
| Construction in progress | 2,334,609 | 2,334,609 |
| Buildings | 2,719,582 | 2,704,307 |
| Infrastructure | 8,804,823 | 8,804,823 |
| Equipment | 225,171 | 213,177 |
| Accumulated depreciation | (7,664,989) | (7,009,683) |
| Total Capital Assets (Net) | $ 13,207,606 | $ 13,835,643 |

The activity for the year consisted of $655,306 in depreciation, additions of $27,269 to buildings and equipment.

### General Fund Budgetary Highlights

Actual governmental expenditures were less than final budgeted amounts primarily due to lower landscape, irrigation and other maintenance costs than were anticipated.

The September 30, 2021 budget was not amended.

### Debt Management

Governmental Activities debt includes the following:

- In February 2006, the District issued $27,565,000 Series 2006 Special Assessment Revenue Bonds, consisting of $5,690,000 Series 2006A Bonds and $21,875,000 Series 2006B Bonds. These bonds were issued to finance the cost of acquisition and construction of certain improvements for the benefit of the District. During the year, final distribution payment was made on Series 2006B Bonds of $1,344,235 and $1,453,889 for principal and interest, respectively. The remaining matured bonds and interest payable related to the Series 2006B Bonds were cancelled. As of September 30, 2021, the Series 2006 Bonds were in default and matured bonds payable totaled $1,290,000. The unmatured balance outstanding at September 30, 2021 was $3,920,000.

## OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

### Economic Factors and Next Year's Budget

Montecito Community Development District does not expect any economic factors to have any significant effect on the financial position or results of operations of the District in fiscal year 2022.

### Request for Information

The financial report is designed to provide a general overview of Montecito Community Development District 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 Montecito Community Development District, Governmental Management Services-CF, LLC 219 East Livingston Street, Orlando, Florida 32801.

**Montecito Community Development District**
**STATEMENT OF NET POSITION**
**September 30, 2021**

| | Governmental Activities |
|---|---|
| **ASSETS** | |
| Current Assets | |
| Cash | $ 469,429 |
| Assessments receivable | 14 |
| Due from others | 124 |
| Prepaid expenses | 53,783 |
| Deposits | 6,541 |
| Total Current Assets | 529,891 |
| Non-current Assets | |
| Restricted assets | |
| Cash and Investments | 1,015,094 |
| Capital assets, not being depreciated | |
| Land | 6,788,410 |
| Construction in progress | 2,334,609 |
| Capital assets, being depreciated | |
| Buildings | 2,719,582 |
| Infrastructure | 8,804,823 |
| Equipment | 225,171 |
| Less: accumulated depreciation | (7,664,989) |
| Total Non-current Assets | 14,222,700 |
| Total Assets | 14,752,591 |
| **LIABILITIES** | |
| Current Liabilities | |
| Accounts payable and accrued expenses | 18,753 |
| Due to developer | 11,544 |
| Unearned revenues | 120,000 |
| Matured bonds payable | 1,290,000 |
| Matured interest payable | 418,268 |
| Accrued interest | 119,396 |
| Bonds payable - current portion | 165,000 |
| Total Current Liabilities | 2,142,961 |
| Non-current liabilities | |
| Bonds payable | 3,755,000 |
| Total Liabilities | 5,897,961 |
| **NET POSITION** | |
| Net investment in capital assets | 8,352,959 |
| Restricted for debt service | 122,082 |
| Unrestricted | 379,589 |
| Total Net Position | $ 8,854,630 |

*See accompanying notes.*

**Montecito Community Development District**
**STATEMENT OF ACTIVITIES**
**For the Year Ended September 30, 2021**

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Net (Expense) Revenues and Changes in Net Position: Governmental Activities |
|---|---|---|---|
| Governmental Activities | | | |
| General government | $ (145,823) | $ 200,642 | $ 54,819 |
| Physical environment | (722,253) | 396,579 | (325,674) |
| Culture and recreation | (321,892) | 128,699 | (193,193) |
| Interest and other charges | (385,077) | 1,927,549 | 1,542,472 |
| Total Governmental Activities | $ (1,575,045) | $ 2,653,469 | 1,078,424 |
| **General revenues:** | | | |
| Investment earnings | | | 268 |
| Miscellaneous revenues | | | 36,228 |
| Total General Revenues | | | 36,496 |
| Cancellation of debt | | | 4,163,065 |
| Change in Net Position | | | 5,277,985 |
| Net Position - October 1, 2020 | | | 3,576,645 |
| Net Position - September 30, 2021 | | | $ 8,854,630 |

*See accompanying notes.*

**Montecito Community Development District**
**BALANCE SHEET –**
**GOVERNMENTAL FUNDS**
**September 30, 2021**

| ASSETS | General | Debt Service | Capital Projects | Total Governmental Funds |
|---|---|---|---|---|
| Cash | $ 289,759 | $ - | $ 179,670 | $ 469,429 |
| Assessments receivable | 9 | 5 | - | 14 |
| Due from other funds | 5,151 | - | - | 5,151 |
| Due from others | 124 | - | - | 124 |
| Prepaid expenses | 53,783 | - | - | 53,783 |
| Deposits | 4,541 | - | 2,000 | 6,541 |
| Restricted assets | | | | |
| Cash and Investments, at fair value | - | 659,743 | 355,351 | 1,015,094 |
| Total Assets | $ 353,367 | $ 659,748 | $ 537,021 | $ 1,550,136 |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable and accrued expenses | $ 18,753 | $ - | $ - | $ 18,753 |
| Due to other funds | - | - | 5,151 | 5,151 |
| Unearned revenues | 120,000 | - | - | 120,000 |
| Due to developer | 11,544 | - | - | 11,544 |
| Matured bonds payable | - | 1,290,000 | - | 1,290,000 |
| Matured interest payable | - | 418,268 | - | 418,268 |
| Total Liabilities | 150,297 | 1,708,268 | 5,151 | 1,863,716 |
| FUND BALANCES | | | | |
| Nonspendable | | | | |
| Prepaids/deposits | 58,324 | - | 2,000 | 60,324 |
| Restricted | | | | |
| Capital projects | - | - | 355,318 | 355,318 |
| Assigned capital projects | - | - | 174,552 | 174,552 |
| Unassigned | 144,746 | (1,048,520) | - | (903,774) |
| Total Fund Balances | 203,070 | (1,048,520) | 531,870 | (313,580) |
| Total Liabilities and Fund Balances | $ 353,367 | $ 659,748 | $ 537,021 | $ 1,550,136 |

*See accompanying notes.*

**Montecito Community Development District**
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES**
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**
**September 30, 2021**

| | | |
|---|---|---|
| Total Governmental Fund Balances | $ | (313,580) |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets, consisting of land, $6,788,410, constuction in progress, $2,334,609 buildings, $2,719,582, infrastructure, $8,804,823, and equipment, $225,171, net of accumulated depreciation, $(7,664,989), used in governmental activities are not current financial resources and; therefore, are not reported at the fund level. | | 13,207,606 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported at the fund level. | | (3,920,000) |
| Accrued interest expense for long-term debt is not a current financial use, and therefore, is not reported at the fund level. | | (119,396) |
| Net Position of Governmental Activities | $ | 8,854,630 |

*See accompanying notes.*

**Montecito Community Development District**
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**
**For the Year Ended September 30, 2021**

| | General | Debt Service | Capital Projects | Total Governmental Funds |
|---|---|---|---|---|
| Revenues | | | | |
| Special assessments | $ 725,920 | $ 1,927,549 | $ - | $ 2,653,469 |
| Miscellaneous revenues | 5,553 | 30,675 | - | 36,228 |
| Investment earnings | 5 | 230 | 33 | 268 |
| Total Revenues | 731,478 | 1,958,454 | 33 | 2,689,965 |
| Expenditures | | | | |
| Current | | | | |
| General government | 139,189 | 6,634 | - | 145,823 |
| Physical environment | 275,113 | - | 24,445 | 299,558 |
| Culture and recreation | 89,281 | - | - | 89,281 |
| Capital outlay | - | - | 27,269 | 27,269 |
| Debt service | | | | |
| Principal | - | 155,000 | - | 155,000 |
| Interest | - | 469,738 | - | 469,738 |
| Total Expenditures | 503,583 | 631,372 | 51,714 | 1,186,669 |
| Excess of revenues over/(under) expenditures | 227,895 | 1,327,082 | (51,681) | 1,503,296 |
| Other financing sources/(uses) | | | | |
| Cancellation of debt | - | 4,163,065 | - | 4,163,065 |
| Transfers in | - | - | 154,196 | 154,196 |
| Transfers out | (154,196) | - | - | (154,196) |
| Total Other Financing Sources/(Uses) | (154,196) | 4,163,065 | 154,196 | 4,163,065 |
| Net change in fund balances | 73,699 | 5,490,147 | 102,515 | 5,666,361 |
| Fund Balances - October 1, 2020 | 129,371 | (6,538,667) | 429,355 | (5,979,941) |
| Fund Balances - September 30, 2021 | $ 203,070 | $ (1,048,520) | $ 531,870 | $ (313,580) |

*See accompanying notes.*

**Montecito Community Development District**
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
**For the Year Ended September 30, 2021**

| | |
|---|---|
| Net Change in Fund Balances - Total Governmental Funds | $ 5,666,361 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation. This is the amount that depreciation, $(655,306) exceeded capital outlay, $27,269, in the current period. | (628,037) |
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. | 155,000 |
| In the Statement of Activities, interest is accrued on outstanding bonds; whereas in governmental funds, interest expenditures are reported when due. This is the net amount between the prior year and the current year accruals. | 84,661 |
| Change in Net Position of Governmental Activities | $ 5,277,985 |

*See accompanying notes.*

**Montecito Community Development District**
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND**
**For the Year Ended September 30, 2021**

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|---|---|---|---|---|
| Revenues | | | | |
| Special assessments | $ 723,971 | $ 723,971 | $725,920 | $ 1,949 |
| Miscellaneous revenues | - | - | 5,553 | 5,553 |
| Investment earnings | - | - | 5 | 5 |
| Total Revenues | 723,971 | 723,971 | 731,478 | 7,507 |
| Expenditures | | | | |
| Current | | | | |
| General government | 146,015 | 146,015 | 139,189 | 6,826 |
| Physical environment | 331,809 | 331,809 | 275,113 | 56,696 |
| Culture and recreation | 91,951 | 91,951 | 89,281 | 2,670 |
| Total Expenditures | 569,775 | 569,775 | 503,583 | 66,192 |
| Excess of revenues over/(under) expenditures | 154,196 | 154,196 | 227,895 | 73,699 |
| Other financing sources/(uses) | | | | |
| Transfers out | (154,196) | (154,196) | (154,196) | - |
| Net change in fund balances | - | - | 73,699 | 73,699 |
| Fund Balances - October 1, 2020 | - | - | 129,371 | 129,371 |
| Fund Balances - September 30, 2021 | $ - | $ - | $203,070 | $ 203,070 |

*See accompanying notes.*

**Montecito Community Development District**
**NOTES TO FINANCIAL STATEMENTS**
**September 30, 2021**

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Montecito 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 July 20, 2005 by an Ordinance No. 904 of the City of Satellite Beach, Florida, under the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes, as amended (the "Act"), 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 governed by a five-member Board of Supervisors, who are elected for terms of four years. The District operates within the criteria established by Chapter 190, Florida Statutes. The Board has the responsibility for assessing and levying assessments, approving budgets, exercising control over facilities and properties, controlling the use of funds generated by the District, approving the hiring and firing of key personnel, and financing improvements.

The reporting entity for the District includes all functions of government in which the District's Board exercises oversight responsibility. Oversight responsibility includes, but is not limited to, financial interdependency, designation of management, significant ability to influence operations and accountability for fiscal matters. As required by GAAP, these financial statements present the Montecito Community Development District (the primary government) as a stand-alone government.

In a previous year, certain land within the District was deeded in lieu of foreclosure to Montecito CDD Holdings, Inc. a Special Purpose Entity (SPE) formed in conformance with the Bond Indenture when the bonds went in default. The SPE qualifies as a stand-alone component unit of the District in accordance with GAAP. The District was not provided any information about the financial activity of the SPE, therefore, the SPE is not included in the accompanying financial statements as required by GAAP.

### 2. Measurement Focus and Basis of Accounting

The basic financial statements of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

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

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

#### a. Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Government-wide financial statements report all non-fiduciary information about the reporting government as a whole. These statements include the governmental activities of the primary government. The effect of interfund activity has been removed from these statements.

Governmental activities are supported by special assessments, miscellaneous revenues and interest. Program revenues include charges for services, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source.

Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

#### b. Fund Financial Statements

The underlying accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually.

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

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

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

**Governmental Funds**

The District has implemented the Governmental Accounting Standards Board Statement 54 – Fund Balance Reporting and Governmental Fund Type Definitions. The Statement requires the fund balance for governmental funds to be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The District has various policies governing the fund balance classifications.

Nonspendable Fund Balance – This classification consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance – This classification includes amounts that can be spent only for specific purposes stipulated by the state constitution, external resource providers, or through enabling legislation.

Assigned Fund Balance – This classification consists of the Board of Supervisors' intent to be used for specific purposes, but are neither restricted nor committed. The assigned fund balances can also be assigned by the District's management company.

Unassigned Fund Balance – This classification is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Unassigned fund balance is considered to be utilized first when expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

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

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

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

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

##### Governmental Funds (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collected within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Interest associated with the current fiscal period is considered to be an accrual item and so has been recognized as revenue of the current fiscal period.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability.

Debt service expenditures are recorded only when payment is due.

### 3. Basis of Presentation

#### a. Governmental Major Funds

General Fund – The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

### 3. Basis of Presentation (Continued)

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

Debt Service Fund – Accounts for debt service requirements to retire certain special assessment refunding bonds which were used to finance the construction of District infrastructure improvements and finance certain additional improvements. The bond series is secured by a pledge of debt service special assessment revenues in any fiscal year related to the improvements. A lien is placed on all benefited land in relationship to the debt outstanding.

Capital Projects Fund – The Capital Project Fund accounts for the construction of infrastructure improvements within the boundaries of the District.

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

GASB Statement 34 requires that non-current governmental assets, such as land and improvements, construction in progress, buildings, infrastructure and equipment and non-current governmental liabilities, such as special assessment bonds, be reported in the governmental activities column in the government-wide statement of net position.

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

#### a. Cash and Investments

Florida Statutes require state and local governmental units to deposit monies with financial institutions classified as "Qualified Public Depositories," a multiple financial institution pool whereby groups of securities pledged by the various financial institutions provide common collateral from their deposits of public funds. This pool is provided as additional insurance to the federal depository insurance and allows for additional assessments against the member institutions, providing full insurance for public deposits.

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

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

#### a. Cash and Investments (Continued)

The District is authorized to invest in those financial instruments as established by Section 218.415, Florida Statutes. The authorized investments consist of:

1. Direct obligations of the United States Treasury;

2. The Local Government Surplus Funds Trust or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperative Act of 1969;

3. Interest-bearing time deposits or savings accounts in authorized qualified public depositories;

4. Securities and Exchange Commission, registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

Cash equivalents include time deposits and certificates of deposit with original maturities of three months or less and held in a qualified public depository as defined by Florida Statute 280.02.

#### b. Restricted Net Position

Certain net position of the District are classified as restricted on the statement of net position because their use is limited either by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors. In a fund with both restricted and unrestricted net position, qualified expenses are considered to be paid first from restricted net position and then from unrestricted net position.

#### c. Capital Assets

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

The District defines capital assets as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of one year. 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.

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

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

#### c. Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation of capital assets is computed and recorded by utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

| | |
|---|---|
| Infrastructure: | 10-25 years |
| Buildings | 15-30 years |
| Equipment | 5 years |

#### d. Budgets

Budgets are prepared and adopted after public hearings for the governmental funds, pursuant to Chapter 190, Florida Statutes. The District utilizes the same basis of accounting for budgets as it does for revenues and expenditures in its various funds. The legal level of budgetary control is at the fund level. All budgeted appropriations lapse at year end. Formal budgets are adopted for the general and debt service funds. As a result, deficits in the budget variance columns of the accompanying financial statements may occur.

## NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### 1. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

"Total fund balances" of the District's governmental funds, $(313,580), differs from "net position" of governmental activities, $8,854,630, reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet. The effect of the differences is illustrated below.

**Capital related items**

When capital assets (property, plant and equipment that are to be used in governmental activities) are purchased or constructed, the cost of those assets is reported as expenditures in governmental funds. However, the Statement of Net Position included those capital assets among the assets of the District as a whole.

| | |
|---|---|
| Land | $ 6,788,410 |
| Construction in progress | 2,334,609 |
| Buildings | 2,719,582 |
| Infrastructure | 8,804,823 |
| Equipment | 225,171 |
| Accumulated depreciation | (7,664,989) |
| Total | $ 13,207,606 |

**Long-term debt transactions**

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Position. Balances at September 30, 2021 were:

| | |
|---|---|
| Bonds payable | $ (3,920,000) |

**Accrued interest**

Accrued liabilities in the Statement of Net Position differ from the amount reported in governmental funds due to accrued interest on bonds.

| | |
|---|---|
| Accrued interest on bonds payable | $ (119,396) |

## NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

### 2. Explanation of Differences Between the Governmental Fund Operating Statements and the Statement of Activities

The "net change in fund balances" for government funds, $5,666,361, differs from the "change in net position" for governmental activities, $5,277,985, reported in the Statement of Activities. The differences arise primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

**Capital related items**

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation. As a result, fund balances decrease by the amount of financial resources expended, whereas net position decrease by the amount of depreciation charged for the year.

| | |
|---|---|
| Depreciation | $ (655,306) |
| Capital outlay | 27,269 |
| Total | $ (628,037) |

**Long-term debt transactions**

Repayments of bond principal are reported as an expenditure in the governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used.

| | |
|---|---|
| Debt principal payments | $ 155,000 |

Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.

| | |
|---|---|
| Net change in accrued interest payable | $ 84,661 |

## NOTE C – 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, 2021, the District's bank balance was $527,654 and the carrying value was $469,429. The District maintains all deposits in a qualified public depository in accordance with the provisions of Chapter 280, Florida Statutes, which means that all deposits are fully insured by Federal Depositors Insurance or collateralized under Chapter 280, Florida Statutes.

As of September 30, 2021, the District had the following investments and maturities:

| Investment | Maturities | Fair Value |
|---|---|---|
| Fidelity Treasury Fund | 30 Days* | $ 1,000,942 |
| Florida PRIME | 49 Days* | 14,152 |
| | | $ 1,015,094 |

*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 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.

Based on the criteria in the preceding paragraph, the investment in Fidelity Treasury 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. The investment in Florida PRIME is measured at amortized cost. Florida PRIME has established policies and guidelines regarding participant transactions and the authority to limit or restrict withdrawals or impose a penalty for an early withdrawal. As of September 30, 2021, there were no redemption fees, maximum transaction amounts, or any other requirement that would limit daily access to 100 percent of the account value.

## NOTE C – CASH AND INVESTMENTS (CONTINUED)

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.

Credit Risk

The District's investments are limited by state statutory requirements and bond compliance. The District has no investment policy that would further limit its investment choices. Florida PRIME and Fidelity Treasury Fund are rated AAAm by Standards and Poor's.

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one investment. The investment in the Fidelity Treasury Fund is 99% and Local Government Surplus is 1% of the District's total investments.

The types of deposits and investments and their level of risk exposure as of September 30, 2021 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.

## NOTE D – SPECIAL ASSESSMENT REVENUES

Assessments are non-ad valorem assessments on benefitted property within the District. Operating and Maintenance Assessments are based upon adopted budget and levied annually. Debt Service Assessments are levied when bonds are issued and collected annually. The District may collect assessments directly or utilize the uniform method of collection (Chapter 197.3632, Florida Statutes). Direct collected assessments are due as determined by annual assessment resolution adopted by the Board of Supervisors. Assessments collected under the uniform method are mailed by County Tax Collector on November 1 and due on or before March 31 of each year. Property owners may prepay a portion or all of the Debt Service Assessments on their property subject to various provisions in the bond documents.

Assessments and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

## NOTE E – INTERFUND ACTIVITY

Interfund transfers for the year ended September 30, 2021, consisted of the following:

| | **Transfers Out** |
|---|---|
| **Transfers In** | General Fund |
| Capital Projects Fund | $ 154,196 |

Interfund transfers to the Capital Projects Fund from the General Fund were to increase balances of capital reserves.

## NOTE F – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021 was as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|---|---|---|---|
| Governmental Activities: | | | | |
| Capital assets, not depreciated | | | | |
| Land | $ 6,788,410 | $ - | $ - | $ 6,788,410 |
| Construction in progress | 2,334,609 | - | - | 2,334,609 |
| Total capital assets not depreciated | 9,123,019 | - | - | 9,123,019 |
| Capital assets, being depreciated: | | | | |
| Buildings | 2,704,307 | 15,275 | - | 2,719,582 |
| Infrastructue | 8,804,823 | - | - | 8,804,823 |
| Equipment | 213,177 | 11,994 | - | 225,171 |
| Total Capital Assets, Depreciated | 11,722,307 | 27,269 | - | 11,749,576 |
| Less accumulated depreciation for: | (7,009,683) | (655,306) | - | (7,664,989) |
| Total Capital Assets Depreciated, Net | 4,712,624 | (628,037) | - | 4,084,587 |
| Total Capital Assets, Net | $ 13,835,643 | $ (628,037) | $ - | $ 13,207,606 |

Depreciation was charged to physical environment, $422,695, and culture/recreation, $232,611.

## NOTE G – LONG-TERM DEBT

The following is a summary of activity for long-term debt of the District for the year ended September 30, 2021:

| | |
|---|---|
| Long-term debt at October 1, 2020 | $ 4,075,000 |
| Principal payments | (155,000) |
| Long-term debt at September 30, 2021 | $ 3,920,000 |
| $5,690,000 Series 2006A Special Assessment Bonds due in annual installments beginning May 2008 and maturing May 1, 2037. Fixed interest of 5.5%, due in May and November. | $ 3,920,000 |

The Developer and certain major landowners have failed to pay a significant portion of the assessments in years 2009 – 2015. As a result, reserve funds were used to partially pay certain required debt service payments during prior years. Also, certain required debt service payments were not made during the prior, current, and subsequent fiscal years, resulting in events of default. The past due payments are reflected as matured bonds payable, $1,290,000, and matured interest payable, $418,268, in the accompanying financial statements.

## NOTE G – LONG-TERM DEBT (CONTINUED)

During the year, final distribution payment was made on Series 2006B Bonds of $1,344,235 and $1,453,889 for principal and interest, respectively. The remaining matured bonds and interest payable related to the Series 2006B Bonds were cancelled.

The annual requirements to amortize the principal and interest of bonded debt outstanding as of September 30, 2021 are as follows:

| Year Ending September 30, | Principal | Interest | Total |
|---|---|---|---|
| 2022 | $ 165,000 | $ 215,600 | $ 380,600 |
| 2023 | 175,000 | 206,525 | 381,525 |
| 2024 | 185,000 | 196,900 | 381,900 |
| 2025 | 195,000 | 186,725 | 381,725 |
| 2026 | 205,000 | 176,000 | 381,000 |
| 2027-2031 | 1,220,000 | 696,300 | 1,916,300 |
| 2032-2036 | 1,600,000 | 321,200 | 1,921,200 |
| 2037 | 175,000 | 9,625 | 184,625 |
| Totals | $ 3,920,000 | $ 2,008,875 | $ 5,928,875 |

Summary of Significant Bonds Resolution Terms and Covenants

The District levies special assessments pursuant to Section 190.022, Florida Statutes and the assessment rolls are approved by resolutions of the District Board. The collections are to be strictly accounted for and applied to the debt service of the bond series for which they were levied. The District covenants to levy special assessments in annual amounts adequate to provide for payment of principal and interest on the bonds. Payment of principal and interest is dependent on the money available in the debt service fund and the District's ability to collect special assessments levied.

The Bonds are subject to redemption at the option of the District and are also subject to extraordinary mandatory redemption prior to maturity as outlined in the Bond Indenture.

The bond resolution and the trust indenture provide for the establishment of certain accounts. The accounts include a construction, revenue, redemption, reserve, interest and prepayment account and are maintained by a trustee.

The bond indenture provides for a Debt Service Reserve Fund, which shall be held by the Trustee separate and apart from all other funds. The following is a schedule of reserve requirements and balances in the reserve accounts at September 30, 2021:

| | Reserve Balance | Reserve Requirement |
|---|---|---|
| Series 2006 | $ 1 | $ 378,675 |

## NOTE H – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

## NOTE I – SUBSEQUENT EVENT

In November 2021, the District entered into a Second Amendment to the Master Trust Indenture of the 2006A and 2006B Special Assessment Bonds. Per the Second Amendment, the Bondholder consented to and directed the Trustee to distribute proceeds as accrued interest and principal in the amount of $481,380 and then cause the right-sizing of the outstanding amount of Series 2006A Bonds, leaving $4,110,000 aggregate principal amount of Series 2006A Bonds outstanding and to adjust the Debt Service Reserve Requirement as it relates to the Series 2006A Bonds to $392,844.

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

To the Board of Supervisors
Montecito Community Development District
Satellite Beach, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Montecito Community Development District, as of and for the year ended September 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated May 3, 2022.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered Montecito Community Development 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Montecito Community Development District's internal control. Accordingly, we do not express an opinion on the effectiveness of Montecito 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Berger, Toombs, Elam,
Gaines & Frank
Certified Public Accountants PL

Board of Supervisors
Montecito Community Development District

**Compliance and Other Matters**

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

We have noted certain matters that we have reported to management in a separate letter, see pages 33-35.

**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

May 3, 2022

Berger, Toombs, Elam,
Gaines & Frank

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# MANAGEMENT LETTER

To the Board of Supervisors
Montecito Community Development District
Satellite Beach, Florida

## Report on the Financial Statements

We have audited the financial statements of the Montecito Community Development District as of and for the year ended September 30, 2021, and have issued our report thereon dated May 3, 2022.

## 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 May 3, 2022 should be considered in conjunction with this management letter.

## Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. The findings or recommendations included in the preceding audit are listed below.

**2017-01 Financial Condition Assessment (Also Findings 2009-02/2012-02, 2013-04 and 2014-01/2016-01):**

Observation: The District's financial conditions continue to deteriorate. The Developer and certain major landowners failed to pay a significant portion of the assessments in fiscal years 2009-2015 resulting in significant delinquent assessments. As a result, reserve funds were used to partially pay certain required debt service payments during the current and prior fiscal years. In addition, certain required debt service payments were not made during the prior, current, and subsequent fiscal years, resulting in events of default. The reserve requirement on the Series 2006A Bonds has not been met as a result of the financial condition of the District. Further, the debt service fund reported a deficit fund balance at the end of the fiscal year.

To the Board of Supervisors
Montecito Community Development District

Recommendation: The District should continue taking the necessary steps to alleviate the deteriorating financial condition.

Management Response: The District has taken all the necessary steps to alleviate the deteriorating financial condition. The District is in the process of completing a refinancing of the remaining Series 2006A/B Bonds which will resolve all the deteriorating financial conditions and the finding will be eliminated during the current Fiscal Year. The final parcel of land related to the auditors' finding is being developed over the next two years. Once this property is fully developed, all past due assessments and debt payments will be cancelled, and the deteriorating financial condition eliminated. At this time, there are no further actions required by the District to resolve this matter.

Current Status: The required debt service payments were not made in the current year and the reserve requirement is still not met. During the year, the District paid $2,798,124, towards the matured principal and interest payable and the remaining balances for the Series 2006B bonds were cancelled.

**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 Montecito 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 Montecito Community Development District met one of the conditions described in Section 218.503(1) Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for Montecito Community Development District. It is management's responsibility to monitor the Montecito 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, 2021.

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.

To the Board of Supervisors
Montecito Community Development District

**Specific Information**

The information provided below was provided by management and has not been audited; therefore, we do not express an opinion or provide any assurance on the information.

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

1) The total number of district employees compensated in the last pay period of the District's fiscal year: 1
2) The total number of independent contractors to whom nonemployee compensation was paid in the last month of the District's fiscal year: 25
3) All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency: $46,014
4) All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency: $509,281
5) Each construction project with a total cost of at least $65,000 approved by the District that is scheduled to begin on or after October 1, 2020, together with the total expenditures for such project: The District had no construction projects during the year.
6) A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the District amends a final adopted budget under Section 189.016(6), Florida Statutes: The budget was not amended.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)8, Rules of the Auditor General, the Montecito Community Development District reported:

7) The rate or rates of non-ad valorem special assessments imposed by the District: The General Fund, $143.79 – 2,032.67 and the Debt Service Fund, $900 - $1,200.
8) The amount of special assessments collected by or on behalf of the District: Total Special Assessments collected was $2,653,469.
9) The total amount of outstanding bonds issued by the District and the terms of such bonds: Series 2006A Bonds, $3,920,000 maturing May 1, 2037.

**Additional Matters**

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

Berger, Toombs, Elam,
Gaines & Frank
Certified Public Accountants PL

To the Board of Supervisors
Montecito Community Development District

**Purpose of this Letter**

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

Berger Toombs Elam
Gaines + Frank

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

May 3, 2022

Berger, Toombs, Elam,
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**INDEPENDENT ACCOUNTANTS' REPORT/COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES**

To the Board of Supervisors
Montecito Community Development District
Satellite Beach, Florida

We have examined Montecito Community Development District's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2021. Management is responsible for Montecito Community Development District's compliance with those requirements. Our responsibility is to express an opinion on Montecito 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 Montecito 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 Montecito Community Development District's compliance with the specified requirements.

In our opinion, Montecito Community Development District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2021.

Berger Toombs Elam
Gaines & Frank

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

May 3, 2022