

Financial Report

September 30, 2022



SUN 'N LAKE

GOLF & RECREATION

**Sun 'N Lake of Sebring
Improvement District
Sebring, Florida**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Sun 'n Lake of Sebring Improvement District

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the *Sun 'n Lake of Sebring Improvement District, Sebring, Florida* (the "District"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Sun 'n Lake of Sebring Improvement District, as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 and budgetary comparison information starting on page 33, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 December 4, 2023, 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 effectiveness of 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.

McDiarmid Davis

Orlando, Florida
December 4, 2023

Our discussion and analysis of Sun 'n Lake of Sebring Improvement District, Sebring, Florida (the "District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2022. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and required supplementary information to the basic financial statements themselves.

Financial Highlights

- The assets of the District exceeded its liabilities at September 30, 2022, resulting in a net position of \$33,155,401.
- The District's total net position in comparison with the prior year decreased by \$888,065. The key components of the District's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2022, the District's governmental funds reported combined ending fund balance of \$3,257,001, a decrease of \$518,813 in comparison with the prior year.
- At September 30, 2022, the District's unassigned fund balance in the general fund was \$3,354,873 or 99.9% of total general fund balance which is available for spending at the District's discretion.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the District that are principally supported by assessments (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include general (administration, finance, and community services), public safety (code enforcement and security), transportation (roads and drainage) and culture and recreation. The business-type activities of the District include the Utility (water and sewer) operation.

Fund Financial Statements

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains two governmental funds for external reporting. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the general, and golf special revenue funds. The general, and golf special revenue funds are considered to be major funds.

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

The District also adopts an annual non-appropriated operating budget for the golf, and utility funds.

Proprietary Funds

The District maintains one type of proprietary fund: enterprise. An enterprise fund is used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District maintains one enterprise fund. The District uses an enterprise fund to account for the operations of the water and sewer utility services within the District.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the utility fund, which is considered a major fund.

Notes to the Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information regarding the District's budget and actual revenues and expenses of the General Fund.

Government-Wide Financial Analysis

Summary Schedule of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$33,155,401 at the close of the most recent fiscal year.

Sun 'n Lake of Sebring Improvement District, Sebring, Florida
Management's Discussion and Analysis

Key components of the District's net position are reflected in the following table:

Statement of Net Position as of September 30:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Assets:						
Current and other assets	\$ 4,442,103	\$ 4,725,042	\$ 5,979,337	\$ 6,379,034	\$ 10,421,440	\$ 11,104,076
Capital assets, net	16,785,277	16,612,371	7,819,501	8,271,166	24,604,778	24,883,537
Total assets	21,227,380	21,337,413	13,798,838	14,650,200	35,026,218	35,987,613
Liabilities:						
Current liabilities	1,190,973	961,029	310,814	232,695	1,501,787	1,193,724
Long-term liabilities	353,766	725,234	15,264	25,189	369,030	750,423
Total liabilities	1,544,739	1,686,263	326,078	257,884	1,870,817	1,944,147
Net Position:						
Net investment in capital assets	16,506,194	15,986,858	7,819,501	8,271,166	24,325,695	24,258,024
Restricted	-	-	2,786,758	4,128,516	2,786,758	4,128,516
Unrestricted	3,176,447	3,664,292	2,866,501	1,992,634	6,042,948	5,656,926
Total net position	\$ 19,682,641	\$ 19,651,150	\$ 13,472,760	\$ 14,392,316	\$ 33,155,401	\$ 34,043,466

The largest portion of the District's net position, \$24,325,695, (73%) reflects its investment in capital assets (e.g., land, land improvements, equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion, \$2,786,758, represents funds set aside for renewal and replacement and impact fee projects. Restrictions are made by enabling legislation for future capital renewal and replacement and expansion.

The results of this year's operations for the District as a whole are reported in the statement of activities. The net position of the District's governmental activities increased \$31,491 and the net position of the business-type activities decreased \$919,556 in comparison with the prior year.

Schedule of Changes in Net Position

Key elements of the change in the District's net position are reflected in the following table:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program Revenues:						
Charges for services	\$ 8,350,716	\$ 7,836,825	\$ 3,016,228	\$ 2,939,530	\$ 11,366,944	\$ 10,776,355
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	-	-	150,580	139,800	150,580	139,800
General Revenues:						
Investment earnings	26,873	20,344	26,416	28,650	53,289	48,994
Other	171,684	378,905	-	-	171,684	378,905
Total revenues	8,549,273	8,236,074	3,193,224	3,107,980	11,742,497	11,344,054
Expenses:						
Governmental Activities:						
General government	1,266,642	1,393,013	-	-	1,266,642	1,393,013
Public safety	281,156	305,170	-	-	281,156	305,170
Transportation	1,784,781	1,239,675	-	-	1,784,781	1,239,675
Culture and recreation	6,677,862	5,220,772	-	-	6,677,862	5,220,772
Interest	25,530	25,673	-	-	25,530	25,673
Business - type Activities:						
Water and sewer utilities	-	-	2,594,591	2,096,451	2,594,591	2,096,451
Total expenses	10,035,971	8,184,303	2,594,591	2,096,451	12,630,562	10,280,754
Increase (Decrease) in Net Position Before Transfers						
Transfers	(1,486,698)	51,771	598,633	1,011,529	(888,065)	1,063,300
Transfers	1,518,189	-	(1,518,189)	-	-	-
Increase (Decrease) in Net position						
Net position	31,491	51,771	(919,556)	1,011,529	(888,065)	1,063,300
Net position, beginning	19,651,150	19,599,379	14,392,316	13,380,787	34,043,466	32,980,166
Net position, end	\$ 19,682,641	\$ 19,651,150	\$ 13,472,760	\$ 14,392,316	\$ 33,155,401	\$ 34,043,466

Governmental Activities

Charges for services accounted for 98% of the total governmental revenues, which consisted primarily of assessments for the current and prior year. The increase in charges for services from the previous year was \$513,891. The increase is primarily attributable to an increase in assessment payments received. The cost of all governmental activities during the fiscal year ended September 30, 2022 was \$10,035,971, which was an increase of 23% from the prior year. Culture and recreation services accounted for 67% of total expenses.

Business-Type Activities

The cost of the business-type activities was \$2,594,591, a 24% increase from the prior year. The costs of those activities were paid for by charges for services, which accounted for 94% of total business-type revenues.

Financial Analysis of the District's Funds

Governmental Funds

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund balance decreased \$556,537 (14%) from the previous year and is reporting an ending balance of \$3,355,957. Of this balance \$3,354,873 is unassigned, which represents 58% of 2022 expenditures.

The Golf Special Revenue Fund reported a net increase in fund balance of \$37,724, after transfers in of \$485,015. The increase resulted in an ending fund balance deficit of \$(98,956).

Proprietary Funds

The *District's* proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Water and Sewer Utility Fund reported operating income of \$421,637, which is a decrease of \$421,442 from the previous year. Of the total net position in the amount of \$13,472,760, included in this amount is \$2,786,758 restricted for capital and impact fee projects. The operating results of the water and sewer fund decreased by \$919,556 due to a transfer to the golf fund for the Deer Run irrigation project.

General Fund Budgeting Highlights

The differences between the 2022 original budget and the final amended budget are adopted by the Board throughout the year. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate.

The variance between budgeted and actual general fund revenues for the 2022 fiscal year was \$448,656, as the District collected more assessments than anticipated. The actual general fund expenditures for the 2022 fiscal year were \$667,631 lower than budgeted amounts due primarily to lower overall expenditures than anticipated.

Capital Asset and Debt Administration

Capital Assets
(Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Land	\$ 520,477	\$ 520,477	\$ 184,842	\$ 184,842	\$ 705,319	\$ 705,319
Construction in Progress	976,243	35,413	-	-	976,243	35,413
Buildings, Infrastructure & Improvements	11,820,054	11,856,171	7,470,515	7,922,381	19,290,569	19,778,552
Machinery and Equipment	809,405	1,349,000	164,144	163,943	973,549	1,512,943
Golf Course & Improvements	2,659,098	2,851,310	-	-	2,659,098	2,851,310
Total	\$ 16,785,277	\$ 16,612,371	\$ 7,819,501	\$ 8,271,166	\$ 24,604,778	\$ 24,883,537

Capital Assets

At September 30, 2022, the District had \$24,604,778, net of accumulated depreciation, invested in capital assets for its governmental and business type activities. This investment in capital assets includes land, land improvements, infrastructure improvements, buildings, improvements other than buildings, vehicles, equipment and water and sewer system.

Capital assets decreased from the prior year in the amount of \$278,759 due to depreciation expense exceeding additions. Road paving is the District's major project completed during the year. Culvert installations and Deer Run irrigation are the major projects under construction at year end.

Long-Term Debt

At September 30, 2022, the District had financed purchases payable of \$279,083 outstanding for its governmental activities. See Note 9 for additional information.

Economic Factors, Next Year's Budget, and Rates

The District's strategic objective for the 2022/2023 budget focused on sustaining exemplary levels of services and amenities offered to our residents while investing in the community's infrastructure and enhancing marketing to promote development and growth. Highlights include:

- The General Fund budget was adopted at \$6,117,700, an increase of \$1,990,200 in comparison to the previous year's original adopted budget. Of the \$6.118 million, roughly \$3.66 million is operating revenues which have remained consistent year over year. The District Operation and Maintenance assessment revenues constitute 94% of the operating revenues. The overall general fund budget is made whole utilizing a transfer in from the Utility Fund in the amount of \$1.5 million, as well as a transfer out to the golf fund of \$443,000. There are no General Fund reserves included. There are minimal prior year carryover projects forecasted.
- The economic conditions in the housing market continue to grow in the District compared to the prior year. This results in not only additional one-time revenues, such as permit fees, but new annual recurring revenues, such as increased assessments and utility service charges.
- The Utility Fund was adopted at just over \$3.9 million, an increase of 39% and does not include any prior year reserves to balance the budget. This year's budget includes \$561,000 in grant revenue. Of the \$3.9 million, there is \$1.1 million budgeted for capital outlay.
- The Golf Fund was adopted at \$5.4 million in contrast to the previous year's \$4.3 million budget. Operationally, revenues are expected to increase for golf operations roughly \$466,000 and increasing only by \$234,000 in restaurant operations. Golf membership and public green fees both sustained increases. Additionally, the Food and Beverage operations had a complete menu and pricing overhaul. Of the \$5.4 million, \$971,235 was budgeted for capital improvement projects for the golf courses and clubhouse. The operational subsidy was set at \$0, the same as the prior fiscal year. There are carryover projects.

Requests for Information

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Sun 'n Lake of Sebring Improvement District's Finance Department located at 5306 Sun 'n Lake Blvd., Sebring, FL 33872, or visit our website at snldistrict.org.

FINANCIAL STATEMENTS

Statement of Net Position

September 30, 2022

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 1,376,883	\$ 2,778,231	\$ 4,155,114
Investments	2,727,935	2,066,383	4,794,318
Receivables, net	21,276	343,035	364,311
Internal balances	202,179	(202,179)	-
Inventories	112,746	-	112,746
Prepaid costs	1,084	18,798	19,882
Restricted Assets:			
Cash and cash equivalents	-	975,069	975,069
Capital Assets:			
Not being depreciated	1,496,720	184,842	1,681,562
Depreciable, net	15,288,557	7,634,659	22,923,216
Total assets	21,227,380	13,798,838	35,026,218
Liabilities:			
Accounts payable and accrued expenses	775,703	148,289	923,992
Accrued interest payable	5,871	-	5,871
Unearned revenues	373,314	-	373,314
Customer deposits and other liabilities	36,085	162,525	198,610
Noncurrent Liabilities:			
Due within one year	286,551	1,526	288,077
Due in more than one year	67,215	13,738	80,953
Total liabilities	1,544,739	326,078	1,870,817
Net Position			
Net investment in capital assets	16,506,194	7,819,501	24,325,695
Restricted for:			
Capital projects	-	1,974,214	1,974,214
Impact fee projects	-	812,544	812,544
Unrestricted	3,176,447	2,866,501	6,042,948
Total net position	\$ 19,682,641	\$ 13,472,760	\$ 33,155,401

Sun 'n Lake of Sebring Improvement District, Sebring, Florida
Statement of Activities
For the Fiscal Year Ended September 30, 2022

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						
	Expenses	Program Revenue			Primary Government		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary Government							
Governmental Activities:							
General government	\$ 1,266,642	\$ 982,169	\$ -	\$ -	\$ (284,473)	\$ -	\$ (284,473)
Public safety	281,156	190,493	-	-	(90,663)	-	(90,663)
Transportation	1,784,781	1,177,489	-	-	(607,292)	-	(607,292)
Culture and recreation	6,677,862	6,000,565	-	-	(677,297)	-	(677,297)
Interest on long-term debt	25,530	-	-	-	(25,530)	-	(25,530)
Total governmental activities	10,035,971	8,350,716	-	-	(1,685,255)	-	(1,685,255)
Business-type Activities:							
Water and Sewer	2,594,591	3,016,228	-	150,580	-	572,217	572,217
Total business-type activities	2,594,591	3,016,228	-	150,580	-	572,217	572,217
Total primary government	\$ 12,630,562	\$ 11,366,944	\$ -	\$ 150,580	(1,685,255)	572,217	(1,113,038)
General Revenues:							
Unrestricted investment earnings					26,873	26,416	53,289
Miscellaneous					171,684	-	171,684
Transfers					1,518,189	(1,518,189)	-
Total general revenues and transfers					1,716,746	(1,491,773)	224,973
Change in net position					31,491	(919,556)	(888,065)
Net position, beginning					19,651,150	14,392,316	34,043,466
Net position, ending					\$ 19,682,641	\$ 13,472,760	\$ 33,155,401

Balance Sheet - Governmental Funds

September 30, 2022

	<u>General Fund</u>	<u>Golf Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 1,061,078	\$ 315,805	\$ 1,376,883
Investments	2,727,935	-	2,727,935
Receivables, net	-	21,276	21,276
Due from other funds	241,180	-	241,180
Inventories	-	112,746	112,746
Prepaid costs	1,084	-	1,084
Total assets	<u>\$ 4,031,277</u>	<u>\$ 449,827</u>	<u>\$ 4,481,104</u>
Liabilities:			
Accounts payable	\$ 611,665	\$ 22,559	\$ 634,224
Accrued expenses	26,048	115,431	141,479
Due to other funds	-	39,001	39,001
Unearned revenues	37,607	335,707	373,314
Customer deposits	-	36,085	36,085
Total liabilities	<u>675,320</u>	<u>548,783</u>	<u>1,224,103</u>
Fund Balances:			
Nonspendable	1,084	112,746	113,830
Unassigned	3,354,873	(211,702)	3,143,171
Total fund balances (deficit)	<u>3,355,957</u>	<u>(98,956)</u>	<u>3,257,001</u>
Total liabilities and fund balances	<u>\$ 4,031,277</u>	<u>\$ 449,827</u>	<u>\$ 4,481,104</u>

Sun 'n Lake of Sebring Improvement District, Sebring, Florida
**Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position**
September 30, 2022

Total Fund Balance, governmental funds	\$ 3,257,001
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	16,785,277
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Long term liabilities such as financed purchases, compensated absences, and accrued interest payable are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.

Financed purchases payable	(279,083)
Compensated absences payable	(74,683)
Accrued interest payable	(5,871)

Net Position of Governmental Activities in the Statement of Net Position	\$ 19,682,641
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Sun 'n Lake of Sebring Improvement District, Sebring, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Funds
For the Fiscal Year Ended September 30, 2022

	<u>General Fund</u>	<u>Golf Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Assessments	\$ 3,762,218	\$ -	\$ 3,762,218
Penalty and interest on assessments	88,381	-	88,381
Fees and fines	5,004	-	5,004
Licenses and permits	58,135	-	58,135
Charges for services	127,063	4,309,915	4,436,978
Investment earnings	26,873	-	26,873
Miscellaneous	45,732	-	45,732
Total revenues	<u>4,113,406</u>	<u>4,309,915</u>	<u>8,423,321</u>
Expenditures:			
Current:			
General government:			
Financial and administrative	754,773	-	754,773
Community services	131,262	-	131,262
Facilities and grounds	298,498	-	298,498
Total general government	<u>1,184,533</u>	<u>-</u>	<u>1,184,533</u>
Code enforcement and security	301,343	-	301,343
Roads and drainage	2,005,079	-	2,005,079
Recreation and leisure	2,236,979	4,262,948	6,499,927
Debt Service:			
Principal	-	346,430	346,430
Interest and other charges	-	31,460	31,460
Capital Outlay	101,135	116,368	217,503
Total expenditures	<u>5,829,069</u>	<u>4,757,206</u>	<u>10,586,275</u>
Excess (deficiency) of Revenues over expenditures	<u>(1,715,663)</u>	<u>(447,291)</u>	<u>(2,162,954)</u>
Other Financing Sources (uses):			
Sale of land purchased for resale	125,952	-	125,952
Transfers in	1,518,189	485,015	2,003,204
Transfers out	(485,015)	-	(485,015)
Total other financing sources (uses)	<u>1,159,126</u>	<u>485,015</u>	<u>1,644,141</u>
Net change in fund balances	<u>(556,537)</u>	<u>37,724</u>	<u>(518,813)</u>
Fund balances, beginning	<u>3,912,494</u>	<u>(136,680)</u>	<u>3,775,814</u>
Fund balances, ending	<u>\$ 3,355,957</u>	<u>\$ (98,956)</u>	<u>\$ 3,257,001</u>

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended September 30, 2022

Net Change in Fund Balances - total governmental funds:	\$	(518,813)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay		1,720,196
Less: Depreciation expense		(1,547,290)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.</p>		
Debt repayments		346,430
<p>The change in compensated absences reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in governmental funds.</p>		
		25,038
<p>Accrued interest 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</p>		
		5,930
Change in Net Position of Governmental Activities	\$	31,491

Sun 'n Lake of Sebring Improvement District, Sebring, Florida
Statement of Net Position - Proprietary Funds
September 30, 2022

	<u>Water and Sewer Utility</u>
Assets:	
Current Assets:	
Cash and cash equivalents	\$ 2,778,231
Investments	2,066,383
Accounts receivable, net	343,035
Prepaid expenses	18,798
Restricted Assets:	
Cash and cash equivalents	975,069
Total current assets	<u>6,181,516</u>
Noncurrent Assets:	
Capital Assets:	
Land	184,842
Infrastructure	18,966,093
Buildings	52,192
Machinery and equipment	654,386
Less accumulated depreciation	<u>(12,038,012)</u>
Total capital assets, net	<u>7,819,501</u>
Total assets	<u>14,001,017</u>
Liabilities:	
Current Liabilities:	
Accounts payable	135,425
Accrued expenses	12,864
Due to other funds	202,179
Customer deposits payable	162,525
Compensated absences	1,526
Total current liabilities	<u>514,519</u>
Noncurrent Liabilities:	
Compensated absences	13,738
Total noncurrent liabilities	<u>13,738</u>
Total liabilities	<u>528,257</u>
Net Position:	
Net investment in capital assets	7,819,501
Restricted for capital projects	1,974,214
Restricted for impact fee projects	812,544
Unrestricted	2,866,501
Total net position	<u>\$ 13,472,760</u>

Sun 'n Lake of Sebring Improvement District, Sebring, Florida
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended September 30, 2022

	Water and Sewer Utility
Revenues:	
Charges for water and sewer services	\$ 2,918,900
Other	97,328
Total operating revenues	3,016,228
Operating Expenses:	
Salaries and benefits	553,015
Contractual services, maintenance and supplies	1,443,886
Depreciation	597,690
Total operating expenses	2,594,591
Operating income	421,637
Nonoperating Revenues (Expenses):	
Interest and investment income	26,416
Impact fees	150,580
Total nonoperating revenues (expenses)	176,996
Income before transfers	598,633
Transfers out	(1,518,189)
Change in net position	(919,556)
Net position, beginning	14,392,316
Net position, ending	\$ 13,472,760

Statement of Cash Flows - Proprietary Funds

For the Fiscal Year Ended September 30, 2022

	Water and Sewer Utility
Cash Flows from Operating Activities:	
Receipts from customers and users	\$ 3,067,478
Payments to employees	(550,076)
Payments to suppliers of goods and services	(1,392,729)
Net cash provided by (used in) operating activities	1,124,673
Cash Flows from Non-Capital Financing Activities:	
Net operating transfers out	(1,518,189)
Increase in due to other funds	102,882
Net cash provided by (used in) non-capital financing activities	(1,415,307)
Cash Flows from Capital and Related Financing Activities:	
Impact fees	150,580
Purchases of capital assets	(146,025)
Net cash provided by (used in) capital and related financing activities	4,555
Cash Flows from Investing Activities:	
Interest earnings	26,416
Sale of investments	1,119,726
Net cash provided by (used in) investing activities	1,146,142
Net increase in cash and cash equivalents	860,063
Cash and cash equivalents, beginning	2,893,237
Cash and cash equivalents, ending	\$ 3,753,300
Classified As:	
Cash and cash equivalents	\$ 2,778,231
Restricted cash and cash equivalents	975,069
Total	\$ 3,753,300
Reconciliation of Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities:	
Operating income	\$ 421,637
Adjustments Not Affecting Cash:	
Depreciation and amortization	597,690
Change in Assets and Liabilities:	
Decrease in accounts receivable	51,950
Increase in prepaids / inventory	(14,798)
Increase in accounts payable	65,955
Decrease in customer deposits	(700)
Increase in accrued payroll	12,864
Decrease in compensated absences	(9,925)
Total adjustments	703,036
Net Cash Provided by (used in) Operating Activities	\$ 1,124,673

Notes to Financial Statements

NOTE 1 NATURE OF ORGANIZATION AND REPORTING ENTITY

Reporting Entity

Sun 'n Lake of Sebring Improvement District (the "District") was established by the Board of County Commissioners of Highlands County, Florida on April 16, 1974. The District is located between the City of Sebring, Florida and the City of Avon Park, Florida on US Highway 27. It encompasses approximately 5,700 acres. Highlands County Ordinance No. 74-4 created the District, fixed the boundaries, provided for a governing body, and provided for the powers, functions, and duties of the District and its governing body. This ordinance, as amended by Ordinance No. 77-4, is referred to as the District Charter. The District Charter further provides for the acquisition or construction of improvements which can be financed by the levying of assessments on the benefited properties.

The District is defined as an independent special district under the Uniform Special District Accountability Act of 1989, otherwise known as Chapter 189 of the Florida Statutes. Chapter 189 mandates certain requirements for the formation, dissolution and reporting of special districts.

The District's major activities include operation and maintenance of the golf clubhouse, golf course and driving range, tennis courts, a water and sewer utility system, a network of arterial and neighborhood roads, community center with pool, fitness center, and a general purpose District office.

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Supervisors are elected by the landowners and qualified electors residing within the District. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Florida Statutes.

The Board has the final responsibility for:

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

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

NOTE 2 SUMMARY OF 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 of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by assessments and general revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Separate financial statements are provided for governmental funds and proprietary funds. The major governmental and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Assessments, licenses and permits, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized in revenues for the current period. Only the portion of assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue for the current period. All other revenue items (licenses and permits and miscellaneous) are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

General Fund

The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Golf Fund

This special revenue fund is used to account for the operations of the golf course and related amenities. The costs of providing services to the residents are recovered primarily through user charges.

The District reports the following major proprietary fund:

Water and Sewer Fund

This enterprise fund is used to account for the operations of the water and sewer utility services within the District. The costs of providing services to the residents are recovered primarily through user charges.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are internal receivable and payable balances between governmental and business-type activities.

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first for qualifying expenditures, then unrestricted resources as they are needed.

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

Restricted Assets

Restricted assets in the enterprise funds consist of water and sewer impact fees and other net position for renewal, replacement and improvements which have been restricted by enabling legislation.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits.

Investments for the District are reported at fair value within the fair value hierarchy established in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, except for the position in the Florida State Board of Administration's and Florida State's Local Government Surplus Investment Pools (LGIP). In accordance with state law, the LGIP's operate in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the LGIP's qualify as a 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The Florida State Board of Administration is subject to regulatory oversight by the State of Florida, although it is not registered with the SEC.

Inventories and Prepaid Items

Inventories for the golf fund are valued at cost which approximates market value using the first-in, first-out (FIFO) method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Receivables and Payables

During the course of operations, transactions occur between individual funds. Any residual balances outstanding between governmental activities and business-type activities for internal borrowing are reported in the government-wide statements as "internal balances".

Accounts receivable and assessments receivable are shown net of an allowance for uncollectible amounts. These receivables will be recognized as revenue as they are collected. For the golf fund, accounts receivable outstanding in excess of 90 days, that are material, comprise the allowance. For water and sewer accounts receivable, amounts outstanding in excess of 90 days comprise the allowance. The assessment receivable allowance in the general and debt service funds is equal to 100% of outstanding delinquencies except for amounts outstanding in excess of five years which are written off.

Notes to Financial Statements

September 30, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include property, golf course, and recreation facilities, water and sewer improvements, machinery and equipment and infrastructure (roads, sidewalks, etc.), are reported in the applicable governmental or business-type activities. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Land improvements	5-20
Buildings	10-40
Infrastructure	10-20
Roads and sidewalks	10-40
Golf course and improvements	20
Utility plant and infrastructure	5-40
Machinery and equipment	5-10

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

Compensated Absences

The District's policy permits employees to accumulate earned but unused vacation and sick pay benefits. Time accrues based on the level and length of service. Upon termination, unused sick time is paid out at up to 35%, based on length of service, and unused vacation time is paid at 100%. Accumulated paid personal time off is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is reported in governmental funds only if they have matured, as a result of employee resignation or retirement.

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. Note premiums and discounts are deferred and amortized ratably over the life of the Notes. Notes payable are reported net of premiums or discounts.

In the fund financial statements, governmental fund types recognize premiums and discounts, during the current period. The face amount of 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 does not have any items that qualify for reporting in this category for the year ended September 30, 2022.

In addition to liabilities, the statement of financial 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 items that qualifies for reporting in this category for the year ended September 30, 2022.

Assessments

Assessments are non-ad valorem assessments on all platted lots within the district. Assessments are levied each November 1 on property as of the previous January 1 to pay for the operations and maintenance of the district and debt service on the notes. The fiscal year for which annual assessments are levied begins on October 1 with discounts available for payments through February 28 and become delinquent on April 1. Penalties are assessed to delinquent lot owners at a rate of 1% per month on the outstanding delinquent balance.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 an additional action is essential to either remove or revise a commitment.

Estimates

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

New GASB Statements Implemented

In fiscal year 2022, the District has implemented GASB Statement No. 87, Leases. The statement requires the District to recognize certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the contract's payment provisions. Furthermore, a lessee is required to recognize a lease liability and a right to use the leased asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, in doing so, enhancing the relevance and consistency of information about the District's leasing activities. As a result of implementation, the District reclassified liabilities previously classified as capital leases payable to financed purchases payable. There was no effect on beginning balances of the District for the implementation of this statement.

NOTE 3 BUDGETARY INFORMATION

The District is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end.

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

1. Each year, the General Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
2. Public hearings are conducted to obtain public comments.
3. Prior to October 1, the budget is legally adopted by the District Board.
4. The General Manager may approve amendments under \$25,000 that do not increase reserve funding. All other budget changes must be approved by the District Board.
5. The budgets are adopted on a basis consistent with accounting principles.
6. Unused appropriation for annually budgeted funds lapse at the end of the year.

The District also prepares annual operating budgets for the golf and utility funds.

Notes to Financial Statements

September 30, 2022

NOTE 4 CASH AND INVESTMENTS

Cash

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

Investments

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

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

1. The State Board of Administration Local Government Investment Pool (SBA);
2. Securities and Exchange Commission Registered Money Market Funds with the highest credit quality rating from a nationally recognized rating agency;
3. Savings accounts and certificates of deposit in state-certified qualified public depositories.
4. Direct obligations of the U.S. Treasury.

Investments made by the District at September 30, 2022 are summarized below. In accordance with GASB 31, investments are reported at amortized cost, which approximates fair value.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Maturity</u>
Investment in Florida FIT	\$ 3,883,094	AAA	1 Day
Investment in Florida Prime	806,576	AAAm	21 Days
Certificate of Deposit	104,648	Not rated	1/17/2023
Total Investments	\$ 4,794,318		

Credit Risk

The District's investment policy limits credit risk by restricting authorized investments to those described. Investments in U.S. Government securities and agencies must be backed by the full faith and credit of the United States Government. Short term bond funds shall be rated by a nationally recognized ratings agency and shall maintain the highest credit quality rating.

Notes to Financial Statements

September 30, 2022

NOTE 4 CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2022, all of the District's bank deposits were in qualified public depositories.

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2022, none of the investments listed are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk

The District's investment policy does not specify limits on the amount the District may invest in any one issue.

Interest Rate Risk

The District's investment policy does not specifically address interest rate risk; however, the general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments. The District manages its exposure to declines in fair values by investing primarily in pooled investments that have a weighted average maturity of less than three months.

NOTE 5 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables at September 30, 2022 were as follows:

	Receivable fund:	
	General Fund	Total
Payable Fund:		
Golf fund	\$ 39,001	\$ 39,001
Water and Sewer Utility	202,179	202,179
Total	\$ 241,180	\$ 241,180

The outstanding balances between funds result primarily from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made. Balances between funds are for services paid by the General Fund to be reimbursed.

Interfund transfers for the fiscal year ended September 30, 2022 include \$485,015 transferred from the General fund to the Golf fund. The Water and Sewer Utility fund transferred \$1,518,189 to the general fund for irrigation improvements.

Transfers were used to move revenues from the fund where collection occurs to the fund where funds have been reallocated for use. The general fund pays for certain costs for the golf fund, by either directly paying vendors or transferring cash to the golf fund to pay vendors. The general fund also pays costs on behalf of the utility fund and is subsequently reimbursed by the utility fund.

Notes to Financial Statements

September 30, 2022

NOTE 6 RECEIVABLES

The District has recorded the assessment receivables for past due amounts. During the fiscal year ended September 30, 2022, a portion of prior year assessments were collected. Unpaid assessments receivable total \$4,927,796, including penalties and interest. The District is in the process of foreclosing on certain properties which have not paid the amounts owed. Due to the uncertainty related to the cost of foreclosure and the ultimate realization from the sale of foreclosed properties, the receivables have been shown with a 100% allowance, except for collectible amounts.

During the fiscal year ended September 30, 2022, there was a decrease in the amount of delinquent assessments and corresponding allowance. The District is continuing with foreclosure proceedings on certain delinquent accounts.

Receivables in the golf fund are considered fully collectible, therefore no allowance for uncollectibles is recorded.

Receivables in the water and sewer fund are reported net of uncollectible amounts. Total accounts receivable and uncollectible amounts at September 30, 2022 are as follows:

Accounts Receivable for Utility Sales	\$ 358,035
Allowance for uncollectibles	(15,000)
Net receivables	\$ 343,035

Notes to Financial Statements

September 30, 2022

NOTE 7 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022 was as follows:

	Beginning Balance	Increases	Reductions	Transfers	Ending Balance
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 520,477	\$ -	\$ -	\$ -	\$ 520,477
Construction in progress	35,413	940,830	-	-	976,243
Total capital assets not being depreciated	555,890	940,830	-	-	1,496,720
Capital Assets Being Depreciated:					
Buildings	11,156,303	-	-	-	11,156,303
Infrastructure	1,708,155	-	-	-	1,708,155
Roads and sidewalks	5,169,208	703,373	-	-	5,872,581
Golf course and improvements	7,744,395	-	-	-	7,744,395
Machinery and equipment	3,787,448	75,993	-	-	3,863,441
Total capital assets being depreciated	29,565,509	779,366	-	-	30,344,875
Less accumulated depreciation for:					
Buildings	(3,556,018)	(407,636)	-	-	(3,963,654)
Infrastructure	(580,914)	(87,459)	-	-	(668,373)
Roads and sidewalks	(2,040,563)	(244,395)	-	-	(2,284,958)
Golf course and improvements	(4,893,085)	(192,212)	-	-	(5,085,297)
Machinery and equipment	(2,438,448)	(615,588)	-	-	(3,054,036)
Total accumulated depreciation	(13,509,028)	(1,547,290)	-	-	(15,056,318)
Total capital assets, being depreciated, net	16,056,481	(767,924)	-	-	15,288,557
Government activities capital assets, net	\$ 16,612,371	\$ 172,906	\$ -	\$ -	\$ 16,785,277
Depreciation Allocation:					
General government		\$ 84,531			
Public safety		6,580			
Transportation		468,175			
Culture and recreation		988,004			
		<u>\$ 1,547,290</u>			

Notes to Financial Statements

September 30, 2022

NOTE 7 CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Reductions	Transfers	Ending Balance
Business-type Activities:					
Capital assets not being depreciated:					
Land	\$ 184,842	\$ -	\$ -	\$ -	\$ 184,842
Total capital assets not being depreciated	184,842	-	-	-	184,842
Capital Assets, Being depreciated:					
Buildings	52,192	-	-	-	52,192
Utility plant and infrastructure	18,873,471	92,622	-	-	18,966,093
Machinery and equipment	600,983	53,403	-	-	654,386
Total capital assets being depreciated	19,526,646	146,025	-	-	19,672,671
Less accumulated depreciation for:					
Buildings	(43,577)	(861)	-	-	(44,438)
Utility plant and infrastructure	(10,959,705)	(543,627)	-	-	(11,503,332)
Machinery and equipment	(437,040)	(53,202)	-	-	(490,242)
Total accumulated depreciation	(11,440,322)	(597,690)	-	-	(12,038,012)
Total capital assets being depreciated, net	8,086,324	(451,665)	-	-	7,634,659
Business-type activities capital assets, net	\$ 8,271,166	\$ (451,665)	\$ -	\$ -	\$ 7,819,501
Depreciation Allocation:					
Utility			\$ 597,690		
Total depreciation expense			\$ 597,690		

NOTE 8 PROPERTIES HELD FOR SALE

Acting in a fiduciary capacity, as required by the special assessment Bond and Note, through various means, the District has become the owner of record of many undeveloped plots of land within the District. The District is required by the debt agreements to attempt to market and sell these properties with any sale proceeds used to satisfy the related debt encumbered upon the properties. These properties are encumbered by debt liens that exceed the fair market value of the underlying property and are therefore not recorded as an asset on the District's financial statements. The District is also not liable for the encumbered debt due to its actions as fiduciary, as specified in the Bond and Note agreements. As a result of the liens exceeding the value of the properties, the District has been unsuccessful in its attempts to sell these properties.

Notes to Financial Statements

September 30, 2022

NOTE 8 PROPERTIES HELD FOR SALE (CONTINUED)

Because the District is the owner of record of these properties, it is billed ad valorem and other taxes by the County. The District does not intend to pay these taxes. The District has determined, with the assistance of legal counsel, that it will never be held financially liable for the past due taxes and that the only consequence of nonpayment of the taxes would be the loss of the underlying properties.

Due to the totality of these circumstances, the District has recorded no asset or liability relating to these actions on the financial statements.

NOTE 9 LONG TERM LIABILITIES

The District has entered into agreements for financing the acquisition of equipment. Payments are due monthly or annually, and interest rates range from 3.7% to 4.25%.

Principal and interest requirements to maturity are as follows:

Year ending September 30:	Governmental Activities	
	Principal	Interest
2023	\$ 279,083	\$ 8,570
Total	\$ 279,083	\$ 8,570

Changes in long-term liability activity for the fiscal year ended September 30, 2022 were as follows:

	Beginning Balance	Additions/ Transfers	Reductions/ Transfers	Ending Balance	Due Within One Year
Governmental Activities					
Financed Purchases	\$ 625,513	\$ -	\$ (346,430)	\$ 279,083	\$ 279,083
Compensated absences	99,721	24,823	(49,861)	74,683	7,468
Total	\$ 725,234	\$ 24,823	\$ (396,291)	\$ 353,766	\$ 286,551
Business-Type Activities					
Compensated absences	\$ 25,189	\$ 2,670	\$ (12,595)	\$ 15,264	\$ 1,526
Total	\$ 25,189	\$ 2,670	\$ (12,595)	\$ 15,264	\$ 1,526

NOTE 10 SPECIAL ASSESSMENT DEBT

Series 2008 Special Assessment Note

In August 2006, the District issued Special Assessment Bond Anticipation Note Series 2006 in the amount of \$8,798,065. The purpose of the 2006 Note was to provide interim funding for the costs associated with the construction of central water and sewer services for Areas "A" and "C" of Unit 16 of the District. On or about March 2008, the District issued Special Assessment Note Series 2008 in the amount of \$10,000,000. The purpose of the 2008 Note was to redeem the 2006 Note, to fund a debt service reserve fund, and to pay the cost of issuing the Note. The District did in fact redeem the 2006 Note. The construction of the central water and service areas for Areas "A" and "C" of Unit 16 was in fact completed. The Note is secured by first lien on all revenues received from special assessments levied and collected on parcels benefited from the Unit 16 A & C project, all monies on deposit in the funds and accounts established, and on any proceeds from Bonds Issued. The interest rate will be equal to 68% of the 180 day LIBOR rate plus 325 basis points. Principal and interest on the Note will be payable on each May 1 and November 1 commencing November 1, 2008. In May 2009, the due date of the Series 2008 Note was extended from March 29, 2009 to March 28, 2010.

NOTE 10 SPECIAL ASSESSMENT DEBT (CONTINUED)

The District collections from property owners were insufficient to pay the principal and interest due during the current and prior year. Because the District itself is not liable for nonpayment of the Note, it is not in default.

In accordance with GASB Cod. Sec. S40, *Special Assessments*, the outstanding liability for this Note and the related balances are not included in the District's financial statements because the District's only obligation under the Note agreement is to collect and remit assessments to the Note holder.

Phase V Bond

Background

The Phase V Bond was initially issued in 1992. As many of the properties subject to the bond were marketed to foreigners by the prior developer of the District, the District experienced a high number of properties that did not honor the bond obligation. This was largely due to promised developer improvements that were never made, coupled with a down turn in economies of their respective countries. Rather than declare the Phase V Bond in default, the Phase V Bond holder - Van Kampen Merritt - elected to enter into an agreement with the District to work out the bond payments. The bondholder also owned a number of properties subject to the Phase V Bond, which it received from the bankrupt developer. The carrying cost for the property was relatively high (all properties owned by the bondholder were subject to District operating and maintenance assessments) which only made a bad situation worse. To remove the obligation of carrying costs for the District assessments, as well as employing some mechanism to work out the prior indebtedness to the District for the previously levied operation and maintenance assessments (\$700,000), Sun 'n Lake, Inc. (the company that was wholly owned by the bondholder and owned properties within the District) was joined to the agreement between the bondholder and the District.

The District accepted delivery of a deed in lieu of foreclosure for all the company's lots, and as lots were now under District ownership, no assessments were levied against the property, because the District does not assess property it owns. The bondholder further agreed to make a payment of \$100,000 upon execution of the agreement toward the back assessment arrearages, and an additional \$100,000 per year (with back assessments on a given lot credited against such amount when property was sold) until the remaining \$600,000 was paid. All company owned lots were placed into a District "lot pool" with an option to repurchase the lots for \$1.00 each upon sale by Sun 'n Lake, Inc. The District received each annual payment and the \$700,000 delinquency was fully satisfied. Pursuant to the agreement, the bondholder agreed to take no action against the District, and the bondholder agreed that the net proceeds from the lot sales and future collection of assessments would be accepted as full payment for the amount due under the Phase V Bond. The lien of the Phase V Bond, however, remained in full force and effect.

The bondholder ultimately elected to transfer the Phase V Bond and all remaining properties on which it had the option to purchase through the lot pool, and successfully found a purchaser for both the properties and the bond in National Recreational Properties, Inc. ("NRPI"). During 2004, the properties and the bond were sold but NRPI realized that in order to successfully market the property, it would require that the delinquent payments and accrued penalties and interest be restructured, as the accumulated delinquent principal, interest and penalties were simply too great for the property to be affordable on an easy low down payment basis. The Phase V Bond restructuring was approved by the Circuit Court in and for Highlands County, Florida, Case Number GC04-448, by Order dated September 2, 2004.

Land Sale and Purchase Agreement

In addition to the Sun 'n Lake, Inc. "lot-pool" lots, NRPI was further interested in acquiring the property inventory of the District which had been accumulated over the years due to foreclosure of delinquent operations and maintenance assessments. A land sale agreement and purchase agreement was negotiated during the fiscal year ended September 30, 2005, and the District lot inventory of foreclosed property was transferred to NRPI in several transactions for several million dollars. These funds were realized in the form of cash payments to the District, and liquidation of other debts owed by the District, inclusive of delinquent ad valorem taxes on the foreclosed properties, debt the District owed on its golf courses, and similar operation debts. The District continues to actively monitor properties which have delinquent assessments owed either for the Phase V project or operations and maintenance assessments of the District.

NOTE 10 SPECIAL ASSESSMENT DEBT (CONTINUED)

The land sale and purchase agreement, as well as the Phase V Bond agreement, were amended. In the last agreement by the District with NRPI, NRPI agreed that it would not only pay assessments on all property owned within the District on an ongoing basis (in exchange for a reduction in the amount it agreed to pay for the new golf course clubhouse), but further agreed that it had the obligation to purchase all properties foreclosed upon the District as part of its inventory available for resale. NRPI is delinquent in payment of its annual assessments and is believed to be an inactive corporation.

In accordance with GASB Cod. Sec. S40, *Special Assessments*, the outstanding liability for these bonds and the related balances are not included in the District's financial statements because the District's only obligation under the Bond agreement is to collect and remit assessments to the Bondholder.

NOTE 11 COMMITMENTS

The District entered into a management agreement on October 1, 2014, with Indigo Golf Partners to supervise, direct and control the management, development, marketing and operation of the Sun 'n Lake Golf and Country Club. The agreement has no ending date and provides that either party may terminate the agreement with 180 days' notice. The monthly management fee is \$10,000 per month. During fiscal year 2022, the District paid \$120,000 to Indigo Golf Partners as management fees under this agreement.

NOTE 12 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 environmental remediation. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may extend to all situations. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

NOTE 13 DEFINED CONTRIBUTION PLANS

The District has a 401(a) Money Purchase Plan which is a defined contribution plan established to provide benefits at retirement for all full-time employees. At September 30, 2022, there were 18 participants. The District is required to make matching contributions of employee contributions to the 457 deferred compensation plan up to 6% of eligible employee salary. Employees are 50% vested after one year of service and fully vested after two years of service. Plan provisions and contribution requirements are established and may be amended by the District Board.

District matching contributions to the plan were \$56,222 for the fiscal year ended September 30, 2022.

The District also has a 457 deferred compensation plan established to provide benefits at retirement to all employees. All full-time employees are eligible, and the District matches contributions as noted above. At September 30, 2022 there were 14 participants. Plan provisions and contribution requirements are established and may be amended by the District Board.

The plan assets are administered by Nationwide Financial Services, Inc. Participants have access to the information regarding their account balances through Nationwide. The District does not exercise any control over the plan assets.

The District has no post-employment benefits for healthcare or insurance.

Required Supplementary Information

Sun 'n Lake of Sebring Improvement District, Sebring, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Fiscal Year Ended September 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, Budgetary Basis	Final Budget - Positive (Negative)
Revenues:				
Assessments	\$ 3,430,000	\$ 3,430,000	\$ 3,762,218	\$ 332,218
Penalty and interest on assessments	65,000	65,000	88,381	23,381
Fees and fines	4,500	4,500	5,004	504
Licenses and permits	26,250	26,250	58,135	31,885
Charges for services	86,000	86,000	127,063	41,063
Investment earnings	25,000	25,000	26,873	1,873
Miscellaneous	28,000	28,000	45,732	17,732
Total revenues	3,664,750	3,664,750	4,113,406	448,656
Expenditures:				
Current:				
Financial and administrative	769,275	769,275	754,773	14,502
Community services	202,575	202,575	131,262	71,313
Facilities and grounds	311,300	311,300	298,498	12,802
Code enforcement and security	334,050	334,050	301,343	32,707
Roads and drainage	1,407,500	1,786,500	2,005,079	(218,579)
Recreation and leisure	2,548,000	2,548,000	2,236,979	311,021
Capital outlay	545,000	545,000	101,135	443,865
Total expenditures	6,117,700	6,496,700	5,829,069	667,631
Excess of revenues over expenditures	(2,452,950)	(2,831,950)	(1,715,663)	1,116,287
Other Financing Sources (Uses):				
Sale of land purchased for resale	-	-	125,952	125,952
Transfers in	2,452,950	2,452,950	1,518,189	(934,761)
Transfers out	-	-	(485,015)	(485,015)
Total other financing sources (uses)	2,452,950	2,452,950	1,159,126	(1,293,824)
Net change in fund balance*	-	(379,000)	(556,537)	(177,537)
Fund balance, beginning	3,912,494	3,912,494	3,912,494	-
Fund balance, ending	\$ 3,912,494	\$ 3,533,494	\$ 3,355,957	\$ (177,537)

* The net change in fund balance was included in the budget as an appropriation of fund balance.

Notes to Required Supplementary Information

Year Ended September 30, 2022

The District is required to establish a budgetary system and an approved annual budget for the general fund. The District's budgeting process is based on estimates of cash receipt and cash expenditures which are approved by the Board. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

The differences between the 2022 original budget and the final amended budget are adopted by the Board throughout the year. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate.

The negative variance between budgeted and actual general fund revenues for the 2022 fiscal year was \$360,153, as the District did not transfer in as much as budgeted. The actual general fund expenditures for the 2022 fiscal year were \$182,616 lower than budgeted amounts due primarily to lower overall expenditures than anticipated.

The District adopts a non-appropriated operating budget for the Golf Special Revenue Fund that is used for internal planning, control, and review purposes only. Generally accepted accounting principles only require the presentation of appropriated budgets adopted to meet legal requirements as required supplementary information. Because the District is not legally required to adopt an appropriated budget for these funds, this information is not presented.

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
Sun 'n Lake of Sebring Improvement District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund, of the *Sun 'n Lake of Sebring Improvement District, Sebring, Florida*, as of and for the fiscal year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 4, 2023.

Report on 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 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 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 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests on its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 result 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

December 4, 2023
Orlando, Florida



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

To the Board of Supervisors
Sun 'n Lake of Sebring Improvement District

We have examined Sun 'n Lake of Sebring Improvement District's (the "District") compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2022. 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, Sun 'n Lake of Sebring Improvement District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2022.

McDermitt Davis

Orlando, Florida
December 4, 2023

MANAGEMENT LETTER

To the Board of Supervisors
Sun 'n Lake of Sebring Improvement District, Florida

Report on the Financial Statements

We have audited the financial statements of the Sun 'n Lake of Sebring Improvement District, Florida, as of and for the fiscal year ended September 30, 2022, and have issued our report thereon dated December 4, 2023.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the 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 December 4, 2023, 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 report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information has been disclosed in the notes to the financial statements.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and 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 review of financial information provided by same. In connection with our audit, we determined that the District, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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.

Specific Information (Unaudited)

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

- a. The total number of District employees compensated in the last pay period of the District's fiscal year as 42.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the District's fiscal year as 34.

- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$1,918,163.
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$448,062.
- e. 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 of the fiscal year being reported, together with the total expenditures for such project as:
Road Paving- \$703,373
- f. 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 budget under Section 189.016(6), Florida Statutes, as included in the general fund budget statement.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)7, Rules of the Auditor General, the district reported:

- a. The rate or rates of non-ad valorem special assessments imposed by the District – see attached schedule.
- b. The total amount of special assessments collected by or on behalf of the District as \$3,720,218.
- c. The total amount of outstanding bonds issued by the District and the terms of such bonds as disclosed in the notes.

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 members of 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
December 4, 2023



2022-2023
DISTRICT ASSESSMENT RATES

Property Type	Current Rate	5% Increase	22/23 Rate
Lots			
Unimproved Vacant land - Per Lot	\$ 146.00	\$ 7.30	\$ 153.30
Lot with Road/Drainage - Per Lot	364.00	18.20	382.20
*Acreage will be assessed on a 3.5 lot equivalent factor			
Residential Properties			
Single Family - Per Unit	728.00	36.40	764.40
Condominium - Per Unit	728.00	36.40	764.40
Multi-Family < 10 Units - Per Unit	728.00	36.40	764.40
Time Share - Per Unit	728.00	36.40	764.40
Miscellaneous - Per Unit	728.00	36.40	764.40
Additional for Lots on Golf Course - Per Lot	73.00	3.65	76.65
Commercial Properties			
Retirement Home - Per Room	400.00	20.00	420.00
Stores, One Story - Per ELU	713.00	35.65	748.65
Community Shopping - Per ELU	954.00	47.70	1,001.70
Office Building, One Story	823.00	41.15	864.15
Multi-Story Non-Professional Office - Per ELU	823.00	41.15	864.15
Professional Building - Per ELU	1,332.00	66.60	1,398.60
Financial Institution - Per ELU	735.00	36.75	771.75
Vehicle Sales, Service, Rent - Per ELU	764.00	38.20	802.20
Park Lots, M/H Parks - Per ELU	539.00	26.95	565.95
Golf Courses - Per ELU	539.00	26.95	565.95
Hotels/Motels - Per Room	400.00	20.00	420.00
Mixed Use - Per Unit	400.00	20.00	420.00
Light Manufacturing - Per ELU	713.00	35.65	748.65
Churches* - Per ELU	677.00	33.85	710.85
Utilities	320.00	16.00	336.00
Warehouses/Distribution Centers - Per ELU	939.00	46.95	985.95
Industrial Storage - Per ELU	539.00	26.95	565.95
Private Schools - Per ELU	604.00	30.20	634.20
Private Hospitals - Per ELU	400.00	20.00	420.00
Tanglewood Special Purpose User Rate - Per Acre	851.00	42.55	893.55
Churches assessed at 25% of the approved rate			