

**RESERVE
COMMUNITY DEVELOPMENT DISTRICT
ST. LUCIE COUNTY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2023**

**RESERVE COMMUNITY DEVELOPMENT DISTRICT
ST. LUCIE COUNTY, FLORIDA**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Reserve Community Development District
St. Lucie County, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying basic financial statements of Reserve Community Development District, St. Lucie County, Florida ("District") as of and for the fiscal year ended September 30, 2023, and the related notes to the financial statements, which comprises the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the respective changes in financial position, and cash flows thereof for the fiscal 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 relating 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 for 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 judgment 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 judgment, 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 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 Information Included in the Financial Report

Management is responsible for the other information included in the financial report. The other information comprises the information for compliance with FL Statute 218.39 (3) (c), but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, 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 the District's 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.



June 13, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Reserve Community Development District, St. Lucie County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2023. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the fiscal year ended September 30, 2023 by \$5,549,138, a decrease of (\$190,019) in comparison with the prior fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as the introduction to the District's financial statements. The District's basic financial statements are comprised of the government-wide financial statements and notes to the financial statements.

Basic Financial Statements

The basic 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 basic financial statements report on the function of the District that is principally supported by user fees and charges.

The statement of net position presents information on all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual amount being 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 revenues, expenses and changes in net position presents information showing how the government's net position changed during the 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.

Proprietary Funds

The District maintains one type of proprietary fund: an enterprise fund. An enterprise fund is used to account for the operations of the water and sewer utility facilities within the District.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

BASIC FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities at the close of the fiscal year ended September 30, 2023.

BASIC FINANCIAL ANALYSIS (Continued)

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

		NET POSITION	
		SEPTEMBER 30,	
		2023	2022
Current Assets	\$	2,795,756	\$ 2,877,134
Noncurrent Assets		4,799,484	4,950,872
Total assets		<u>7,595,240</u>	<u>7,828,006</u>
Current liabilities		609,374	652,121
Long-term liabilities		1,436,728	1,436,728
Total liabilities		<u>2,046,102</u>	<u>2,088,849</u>
Net Position			
Net investment in capital assets		3,644,484	3,620,872
Restricted		390,050	304,145
Unrestricted		1,514,604	1,814,140
Total net position	\$	<u>5,549,138</u>	<u>\$ 5,739,157</u>

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

		CHANGES IN NET POSITION	
		FOR THE FISCAL YEAR ENDED SEPTEMBER 30,	
		2023	2022
Operating revenues	\$	1,957,230	\$ 1,796,902
Operating expenses:			
Administrative and general		207,185	134,694
Cost of sales and services		1,769,642	1,165,798
Depreciation and amortization		252,107	247,597
Total operating expenses		<u>2,228,934</u>	<u>1,548,089</u>
Operating Income		<u>(271,704)</u>	<u>248,813</u>
Non-operating:			
Interest income		108,800	17,735
Interest expense		(27,115)	(33,712)
Total non-operating		<u>81,685</u>	<u>(15,977)</u>
Change in net position		<u>(190,019)</u>	<u>232,836</u>
Net position - beginning		<u>5,739,157</u>	<u>5,506,321</u>
Net position - ending	\$	<u>5,549,138</u>	<u>\$ 5,739,157</u>

Business-type activities reflect the operations of the water and sewer facilities within the District. The cost of operations is covered primarily by charges to customers. The increase in operating revenues is primarily the result of increased connections to the utility system. Operating expenses increased as a result of increase in the repairs, maintenance and replacements.

BASIC FINANCIAL ANALYSIS (Continued)

Capital Assets

The District reported net capital assets of \$4,799,484 for its business-type activities. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Capital Debt

At September 30, 2023, the District had \$1,155,000 in Bonds outstanding for its business-type activities. More detailed information about the District's capital debt is presented in the notes of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND OTHER EVENTS

The District does not anticipate any major projects or significant changes to its infrastructure maintenance program for the subsequent fiscal year. In addition, it is anticipated that the general operations of the District will remain fairly constant.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to 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 Reserve Community Development District's Finance Department at 5385 N. Nob Hill Road, Sunrise, Florida 33351.

**RESERVE COMMUNITY DEVELOPMENT DISTRICT
ST. LUCIE COUNTY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023**

ASSETS

Current assets:

Cash and cash equivalents	\$	168,846
Investments		973,608
Accounts receivable, net of allowance \$9,248		211,069
Prepaid items and deposits		365

Restricted assets:

Cash and investments - customer deposits		272,190
Investments		1,169,678
Total Current Assets		2,795,756

Noncurrent assets:

Capital assets:

Nondepreciable		563,850
Depreciable, net		4,235,634
Total noncurrent assets		4,799,484
Total assets		7,595,240

LIABILITIES

Current liabilities:

Accounts payable and accrued expenses		263,143
Accrued interest payable		14,678
Unearned revenues		56,743
Liabilities payable from restricted assets		
Customer deposits		274,810
Total current liabilities		609,374

Noncurrent liabilities:

Prepaid connections		281,728
Bonds payable		1,155,000
Total noncurrent liabilities		1,436,728
Total liabilities		2,046,102

NET POSITION

Net investment in capital assets		3,644,484
Restricted		390,050
Unrestricted		1,514,604
Total net position		\$ 5,549,138

See notes to the financial statements

**RESERVE COMMUNITY DEVELOPMENT DISTRICT
ST. LUCIE COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

OPERATING REVENUES	
Charges for services	\$ 1,942,474
Miscellaneous revenue	<u>14,756</u>
Total operating revenues	<u>1,957,230</u>
OPERATING EXPENSES	
General and administrative	207,185
Water and sewer	1,769,642
Depreciation and amortization	<u>252,107</u>
Total operating expenses	<u>2,228,934</u>
OPERATING INCOME	(271,704)
NON-OPERATING REVENUES (EXPENSES)	
Interest income	108,800
Interest expense	<u>(27,115)</u>
Total non-operating revenues (expenses)	<u>81,685</u>
Change in net position	(190,019)
Total net position - beginning	<u>5,739,157</u>
Total net position - ending	<u>\$ 5,549,138</u>

See notes to the financial statements

**RESERVE COMMUNITY DEVELOPMENT DISTRICT
ST. LUCIE COUNTY, FLORIDA
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

CASH FLOW FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 1,928,925
Receipts from other sources	14,756
Payments to suppliers	(1,690,965)
Payments to employees	(102,838)
Net Cash Provided (Used) by Operating Activities	<u>149,878</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(100,719)
Principal paid	(175,000)
Interest paid	(31,500)
Net cash provided (used) by capital and related financing activities	<u>(307,219)</u>
CASH FLOW FROM INVESTING ACTIVITIES	
(Purchase) sale of investments	(6,004)
Interest income	108,800
Net Cash Provided (Used) by Investing Activities	<u>102,796</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(54,545)
CASH AND CASH EQUIVALENTS - OCTOBER 1	<u>223,391</u>
CASH AND CASH EQUIVALENTS - SEPTEMBER 30	<u>\$ 168,846</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (271,704)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Depreciation and amortization	252,107
(Increase) / decrease in accounts receivable	(9,345)
(Increase) / decrease in prepaid expenses and deposits	42,182
(Decrease) / increase in accounts payable and accrued liabilities	140,842
(Decrease) / increase in unearned revenue	(5,564)
(Decrease) / increase in customer deposits	1,360
Total adjustments	<u>421,582</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 149,878</u>

See notes to the financial statements

**RESERVE COMMUNITY DEVELOPMENT DISTRICT
ST. LUCIE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

Reserve Community Development District ("the District") was created on February 15, 1992 pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes, by St. Lucie County. The Act provides among other things, the power to manage basic services for community development, power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

The District was established for the purposes of financing and managing the planning, maintenance and operation of a water and wastewater system within the District in accordance with powers established by Florida Statute Chapter 190.

The District is governed by the Board of Supervisors ("the District") which is composed of five members. The Supervisors are elected on an at large basis by the owners of the property within the District. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The District has the final responsibility for:

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

The financial statements were prepared in accordance with Governmental Accounting Standards District ("GASB") Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the 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

Basis of Accounting

The District reports all of its activities and functions in a single enterprise fund. The enterprise fund is used to account for the operation of a water and wastewater utility system. The costs of providing services are recovered primarily through user charges.

Enterprise funds are proprietary funds. The measurement focus is based upon determination of net position, financial position and changes in cash flow. The generally accepted accounting principles used are those applicable to similar businesses in the private sector, thus, these funds are maintained on the accrual basis of accounting. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) when the governing body has decided that periodic determination of net income is appropriate for capital maintenance, public management control, accountability, or other purposes. Revenues are recognized when earned and expenses are recognized when incurred. All assets and liabilities (whether current or noncurrent) associated with an activity are included in the statement of net position. The reported net position are segregated into invested in capital assets net of related debt, restricted and unrestricted assets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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 and Net Position or Equity

Restricted Assets

These assets represent cash and investments set aside pursuant to Bond covenants or other contractual restrictions.

Deposits and Investments

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

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The District may invest any surplus public funds in the following:

- a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act;
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c) Interest bearing time deposits or savings accounts in qualified public depositories;
- d) Direct obligations of the U.S. Treasury.

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due.

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

Inventories and Prepaid Items

Inventories represent meter supply carried at historical cost determined on a first-in, first-out basis. The District does not have any material inventory balances as of September 30, 2023.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Property and equipment are stated at cost. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Capital Assets (Continued)

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>
Buildings and improvements	10 - 50
Plant expansion	24
Equipment	5 - 30

Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned.

Long-Term Obligations

In the basic financial statements, long-term debt and other long-term obligations are reported as liabilities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the Bonds using the straight-line method. Bonds are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

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.

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.

Net Position

Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position in the government-wide financial statements are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net position related to infrastructure and property, plant and equipment. Restricted net position represents the assets restricted by the District's Bond covenants or other contractual restrictions. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

Other Disclosures

Use of Estimates

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

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

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

Investments

The District's investments were held as follows at September 30, 2023:

	Amortized Cost	Credit Risk	Maturities
First American Gov Obligation Class Z	\$ 1,169,678	S&P AAAM	Average of the fund portfolio: 24 days
Investment in Local Government Surplus Funds Trust Fund (Florida PRIME)	1,245,798	S&P AAAM	Average of the fund portfolio: 35 days
Total Investments	<u>\$ 2,415,476</u>		

Concentration risk – The District places no limit on the amount the District may invest in any one issuer.

Credit risk – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

Interest rate risk – The District does not have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

However, the Bond Indenture limits the type of investments held using unspent proceeds.

Fair Value Measurement – When applicable, the District measures and records its investments using fair value measurement guidelines established in accordance with GASB Statements. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques.

These guidelines recognize a three-tiered fair value hierarchy, in order of highest priority, as follows:

- *Level 1:* Investments whose values are based on unadjusted quoted prices for identical investments in active markets that the District has the ability to access;
- *Level 2:* Investments whose inputs - other than quoted market prices - are observable either directly or indirectly; and,
- *Level 3:* Investments whose inputs are unobservable.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the entire fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

Money market investments that have a maturity at the time of purchase of one year or less and are held by governments other than external investment pools should be measured at amortized cost. For external investment pools that qualify to be measured at amortized cost, the pool's participants should also measure their investments in that external investment pool at amortized cost for financial reporting purposes. Accordingly, the District's investments have been reported at amortized cost above.

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

External Investment Pool – With regard to redemption gates, Chapter 218.409(8)(a), Florida Statutes, states that “The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days.” With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

As of September 30, 2023, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100% of their account value.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2023 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets, not being depreciated				
Land	\$ 563,850	\$ -	\$ -	\$ 563,850
Total capital assets, not being depreciated	563,850	-	-	563,850
Capital assets, being depreciated				
Buildings and improvements	4,344,723	-	-	4,344,723
Plant expansion	2,710,966	-	-	2,710,966
Equipment	1,080,687	100,719	-	1,181,406
Total capital assets, being depreciated	8,136,376	100,719	-	8,237,095
Less accumulated depreciation for:				
Buildings and improvements	2,310,991	90,695	-	2,401,686
Plant expansion	1,119,010	112,896	-	1,231,906
Equipment	319,353	48,516	-	367,869
Total accumulated depreciation	3,749,354	252,107	-	4,001,461
Total capital assets, being depreciated, net	4,387,022	(151,388)	-	4,235,634
Business-type activities capital assets	\$ 4,950,872	\$ (151,388)	\$ -	\$ 4,799,484

NOTE 5 – LONG-TERM LIABILITIES

Series 2013

On May 1, 2013, the District issued \$2,735,000 in Series 2013 Utility Revenue Refunding Bonds. The Bonds are payable from pledged revenue which includes, without limitation, net revenue received by the District from the users of the water and sewer system and payments as defined in the Master Trust Indenture. The Bonds were issued to refund the outstanding Utility Revenue Refunding Bonds, Series 2010. The Bonds are due serially with a fixed interest rates of 2.5%. Interest is to be paid semiannually on each April 1st and October 1st. Principal on the Bonds is to be paid serially commencing October 1, 2013 through October 1, 2028.

The Series 2013 Bonds are subject to redemption at the option of the District prior to their maturity.

The Bond Indenture has certain restrictions and requirements relating principally to the procedures to be followed in the collection of pledged revenues and the application of the revenues to the various restricted accounts. The District is in compliance with the requirements of the Bond Indenture.

Long-term Debt Transactions

Changes in long-term liabilities for the fiscal year ended September 30, 2023 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Business-type activities</u>					
Bonds payable:					
Series 2013	\$ 1,330,000	\$ -	\$ 175,000	\$ 1,155,000	\$ 180,000
Total	\$ 1,330,000	\$ -	\$ 175,000	\$ 1,155,000	\$ 180,000

At September 30, 2023, the scheduled debt service requirements on the long - term liabilities were as follows:

Year ending September 30:	Principal	Interest	Total
2024	\$ 180,000	\$ 27,069	\$ 207,069
2025	185,000	22,375	207,375
2026	190,000	17,623	207,623
2027	195,000	12,744	207,744
2028	200,000	7,752	207,752
2029	205,000	2,605	207,605
Total	\$ 1,155,000	\$ 90,168	\$ 1,245,168

NOTE 6 – MANAGEMENT COMPANY

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

NOTE 7 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. There were no settled claims during the past three years.

NOTE 8 – INTERLOCAL AGREEMENTS

St. Lucie West Services District

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

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

School Board of St. Lucie County

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

NOTE 9 – DEVELOPER AGREEMENTS

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

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

NOTE 10 – SUBSEQUENT EVENTS

Bond Payments

Subsequent to fiscal year end, the District paid off the \$1,155,000 remaining balance outstanding on the Series 2013 Bonds.

**RESERVE COMMUNITY DEVELOPMENT DISTRICT
ST. LUCIE COUNTY, FLORIDA
OTHER INFORMATION – DATA ELEMENTS
REQUIRED BY FL STATUTE 218.39(3)(C)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023
UNAUDITED**

<u>Element</u>	<u>Comments</u>
Number of District employees compensated in the last pay period of the District's fiscal year being reported.	2
Number of independent contractors compensated to whom nonemployee compensation was paid in the last month of the District's fiscal year being reported.	5
Employee compensation	\$ 93,638
Independent contractor compensation	\$ 190,440
Construction projects to begin on or after October 1; (>\$65K)	0
Non ad valorem special assessments;	
Special assessment rate	
Special assessments collected	\$ -
Outstanding Bonds:	see Note 5 for details



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

To the Board of Supervisors
Reserve Community Development District
St. Lucie County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Reserve Community Development District, St. Lucie County, Florida ("District") as of and for the fiscal year ended September 30, 2023, and the related notes to the financial statements, which comprises the District's basic financial statements, and have issued our opinion thereon dated June 13, 2024.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

B. & Associates

June 13, 2024



Grau & Associates
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INDEPENDENT AUDITOR'S REPORT ON BOND COMPLIANCE

To the Board of Supervisors
Reserve Community Development District
St. Lucie County, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Reserve Community Development District ("District"), which comprise the statement of net position, for the fiscal year ended September 30, 2023, and the related statement of revenues, expenses and changes in net position and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 13, 2024.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the terms, covenants, provisions, or conditions of Sections 5.09 of the Master Bond Indenture dated March 1, 2010. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the Indenture.

This report is intended solely for the information and use of the board of supervisors and management of the District and the trustee and is not intended to be and should not be used by anyone other than these specified parties.

Grau & Associates

June 13, 2024



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY
RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Board of Supervisors
Reserve Community Development District
St. Lucie County, Florida

We have examined Reserve Community Development District, St. Lucie County, Florida's ("District") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2023. Management is responsible for District's compliance with those requirements. Our responsibility is to express an opinion on 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced in Section 218.415, Florida Statutes. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2023.

This report 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, management, and the Board of Supervisors of Reserve Community Development District, St. Lucie County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Grau & Associates

June 13, 2024



**MANAGEMENT LETTER PURSUANT TO THE RULES OF
THE AUDITOR GENERAL FOR THE STATE OF FLORIDA**

To the Board of Supervisors
Reserve Community Development District
St. Lucie County, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of Reserve Community Development District ("District") as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated June 13, 2024.

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 Auditor'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 June 13, 2024, should be considered in conjunction with this management letter.

Purpose of this Letter

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the financial statements of the District, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.**
- II. Status of prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

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, as applicable, management, and the Board of Supervisors of Reserve Community Development District, St. Lucie County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Reserve Community Development District, St. Lucie County, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements and the courtesies extended to us.

Grau & Associates

June 13, 2024

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2022.

2. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2023.

3. 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.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2023.

4. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.
5. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
6. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2023. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.
7. Management has provided the specific information required by Section 218.39(3)(c) in the Other Information section of the financial statements on page 17.