

SOUTHERN GROVE COMMUNITY DEVELOPMENT DISTRICT 5
FINANCIAL STATEMENTS
September 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southern Grove Community Development District 5
Port St. Lucie, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Southern Grove Community Development District 5 (the "District") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 5 and page 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2020, on our consideration of Southern Grove Community Development District 5's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Southern Grove Community Development District 5's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

We have also issued our report dated May 14, 2020 on our consideration of the District's compliance with requirements of Section 218.415, Florida Statutes, as required by Rule 10.556(10) of the Auditor General of the State of Florida. The purpose of that report is to provide an opinion based on our examination conducted in accordance with attestation Standards established by the American Institute of Certified Public Accountants.

DiBartolomeo, McBee, Hartley & Barnes

DiBartolomeo, McBee, Hartley & Barnes, P.A.

Fort Pierce, Florida

May 14, 2020

SOUTHERN GROVE COMMUNITY DEVELOPMENT DISTRICT 5 MANAGEMENT'S DISCUSSION AND ANALYSIS

The Southern Grove Community Development District 5 (the "District") discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity and financial statements, (c) identify changes in the District's financial position, (d) identify any material deviations from the District's budget, and (e) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Auditor's Report (beginning on page 1) and the District's financial statements (beginning on page 6).

FINANCIAL HIGHLIGHTS

- Net position increased \$349,815.
- Total costs of all programs were \$832,511 in 2019 compared to \$616,104 in 2018.
- At September 30, 2019, the District's governmental funds reported combined ending fund balance of \$3,047,528. Fund balance is restricted for primarily debt service and capital projects.

USING THIS ANNUAL REPORT

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

REPORTING THE DISTRICT AS A WHOLE

Our analysis of the District as a whole begins on page 6. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These Statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used in most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two Statements report the District's net position and changes in them. You can think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position, is one indicator of whether its financial health is improving or deteriorating.

Southern Grove Community Development District 5
Statement of Net Position

	2019	2018
Current Assets	\$ 3,047,528	\$ 2,671,988
Capital Assets	7,243,950	7,369,650
Total Assets	10,291,478	10,041,638
Current Liabilities	103,317	107,801
Long-term Liabilities	8,103,323	8,455,000
Total Liabilities	8,206,640	8,562,801
Net assets		
Net Investment in Capital Assets	(859,373)	(1,085,350)
Restricted for Debt Service	1,913,454	1,863,158
Restricted for Capital Projects	695,841	693,845
Unrestricted	334,916	7,184
Total Net Assets	\$ 2,084,838	\$ 1,478,837

Governmental Activities

In the Statement of Net Position and the Statement of Activities, the District has one activity. The changes in net position of governmental activities were \$349,815.

Southern Grove Community Development District 5
Changes in Net Position

	2019	2018
Program Revenues		
Operating Contributions	\$ 1,176,959	\$ 1,404,446
General Revenues		
Investment Earnings	5,189	2,279
Other Income	178	289
Total Revenues	1,182,326	1,407,014
Expenses		
General Government	472,876	356,588
Interest on Long-term Debt	247,385	259,516
Bond Costs	112,250	-
Total Expenses	832,511	616,104
Equity Transfer	256,186	-
Change in Net Assets	349,815	790,910
Net assets - Beginning of Year	1,478,837	687,927
Net assets - End of Year	\$ 2,084,838	\$ 1,478,837

FUND FINANCIAL STATEMENTS

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

Governmental Type Funds

As of year-end, the governmental funds (as presented on page 10) reported a combined fund balance of \$3,047,528 which represented an increase of \$2,671,988 from prior year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2019, the District had \$7,820,365 invested in land and improvements, construction in progress, infrastructure, and improvement other than buildings for its governmental activities. In the government-wide financials, depreciation of \$576,415 has been taken, which resulted in a net book value of \$7,243,950. More detailed information about the District’s capital assets is presented in the notes to the financial statements.

Debt

At September 30, 2019, the District had \$8,103,323 in bonds outstanding for its governmental activities. More detailed information about the District’s capital debt is presented in the notes to the financial statements.

ECONOMIC FACTORS, NEXT YEAR'S BUDGET AND OTHER INFORMATION

For the fiscal year 2020, the District anticipates that the cost of general operations will remain fairly constant. In connection with the District's future infrastructure maintenance and replacement plan, the District Board has included in the budget, an estimate of those anticipated future costs and has assigned a portion of current available resources for that purpose.

CONTACTING THE DISTRICT’S FINANCAL MANAGEMENT

This financial report is designed to provide our citizens and members with a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have questions about this report or need additional information, contact the District Finance Department at 2501A Burns Road, Palm Beach Gardens, Florida 33410.

SOUTHERN GROVE COMMUNITY DEVELOPMENT DISTRICT 5

STATEMENT OF NET POSITION

September 30, 2019

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash	\$ 3,258
Investments	2,663,636
Assessments Receivable	2,529
Due from Other Governments	323,849
Deposits	4,256
Restricted:	
Investments	50,000
Capital Assets:	
Depreciable	2,797,319
Non-depreciable	4,446,631
TOTAL ASSETS	<u>\$ 10,291,478</u>

LIABILITIES AND NET POSITION

LIABILITIES

Accrued Interest Payable	\$ 103,317
Bonds Payable, due in more than one year	8,103,323
TOTAL LIABILITIES	<u>8,206,640</u>

NET POSITION

Net Investment in Capital Assets	(859,373)
Restricted for Debt Service	1,913,454
Restricted for Capital Projects	695,841
Unrestricted	334,916
TOTAL NET POSITION	<u>\$ 2,084,838</u>

The accompanying notes are an integral part of this financial statement

SOUTHERN GROVE COMMUNITY DEVELOPMENT DISTRICT 5

STATEMENT OF ACTIVITIES

Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenues and Changes in Net Position
		Operating Contributions	Governmental Activities
Governmental Activities			
General Government	\$ 472,876	\$ 1,176,959	\$ 704,083
Interest on Long-Term Debt	247,385	-	(247,385)
Bond Costs	112,250	-	(112,250)
Total Governmental Activities	\$ 832,511	\$ 1,176,959	344,448
General Revenues:			
Investment Earnings			5,189
Other Income			178
Equity Transfer			256,186
Total General Revenues			261,553
Change in Net Position			606,001
Net Position - October 1, 2018			1,478,837
Net Position - September 30, 2019			\$ 2,084,838

The accompanying notes are an integral part of this financial statement

SOUTHERN GROVE COMMUNITY DEVELOPMENT DISTRICT 5

BALANCE SHEET – GOVERNMENTAL FUNDS

September 30, 2019

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>			
Cash	\$ 3,258	\$ -	\$ 3,258
Investments	-	2,663,636	2,663,636
Assessments Receivable	-	2,529	2,529
Due from Other Governments	323,849	-	323,849
Due from Other Funds	3,553	-	3,553
Deposits	4,256	-	4,256
Restricted:			
Investments	-	50,000	50,000
TOTAL ASSETS	<u><u>\$ 334,916</u></u>	<u><u>\$ 2,716,165</u></u>	<u><u>\$ 3,051,081</u></u>
 <u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES			
Due to Other Funds	<u>\$ -</u>	<u>\$ 3,553</u>	<u>\$ 3,553</u>
TOTAL LIABILITIES	<u>-</u>	<u>3,553</u>	<u>3,553</u>
 FUND BALANCE			
Restricted			
Debt Service	-	2,016,771	2,016,771
Capital Projects	-	695,841	695,841
Unassigned	<u>334,916</u>	<u>-</u>	<u>334,916</u>
TOTAL FUND BALANCE	<u>334,916</u>	<u>2,712,612</u>	<u>3,047,528</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 334,916</u></u>	<u><u>\$ 2,716,165</u></u>	<u><u>\$ 3,051,081</u></u>

The accompanying notes are an integral part of this financial statement

SOUTHERN GROVE COMMUNITY DEVELOPMENT DISTRICT 5
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
Year Ended September 30, 2019

Total Governmental Fund Balances in the Balance Sheet, Page 8	\$	3,047,528
Amount reported for governmental activities in the Statement of Net Position are different because:		
Capital asset used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Governmental capital assets		7,820,365
Less accumulated depreciation		(576,415)
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Accrued interest payable		(103,317)
Governmental bonds payable		(8,103,323)
Net Position of Governmental Activities, Page 6	<u>\$</u>	<u>2,084,838</u>

The accompanying notes are an integral part of this financial statement

SOUTHERN GROVE COMMUNITY DEVELOPMENT DISTRICT 5

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN

FUND BALANCE – GOVERNMENTAL FUNDS

Year Ended September 30, 2019

	GENERAL FUND	CAPITAL PROJECTS	TOTAL GOVERNMENTAL ACTIVITIES
	<u> </u>	<u> </u>	<u> </u>
REVENUE			
Stormwater Fees	\$ 88,223	\$ -	\$ 88,223
On-Roll Assessments	330,304	758,432	1,088,736
Other Income	178	-	178
Interest Income	17	5,172	5,189
TOTAL REVENUE	<u>418,722</u>	<u>763,604</u>	<u>1,182,326</u>
 EXPENDITURES			
General Government	347,176	-	347,176
Bond Costs	-	112,250	112,250
Debt Service:			
Principal	-	351,677	351,677
Interest	-	251,869	251,869
TOTAL EXPENDITURES	<u>347,176</u>	<u>715,796</u>	<u>1,062,972</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	71,546	47,808	119,354
 OTHER FINANCING SOURCES/(USES)			
Equity Transfer	256,186	-	256,186
TOTAL OTHER FINANCING SOURCES/(USES)	<u>256,186</u>	<u>-</u>	<u>256,186</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES/(USES)	327,732	47,808	375,540
 FUND BALANCE			
Beginning of Year	7,184	2,664,804	2,671,988
End of Year	<u>\$ 334,916</u>	<u>\$ 2,712,612</u>	<u>\$ 3,047,528</u>

The accompanying notes are an integral part of this financial statement

SOUTHERN GROVE COMMUNITY DEVELOPMENT DISTRICT 5
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended September 30, 2019

Net Change in Fund Balances - Total Governmental Funds, Page 10	\$	375,540
Amount reported for governmental activities in the Statement of Activities are different because:		
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		351,677
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are depreciated over their estimated useful lives:		
Current year provision for depreciation		(125,700)
Certain items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported expenditures in the governmental funds:		
Change in accrued interest payable		4,484
Change in Net Position of Governmental Activities, Page 7	<u>\$</u>	<u>606,001</u>

The accompanying notes are an integral part of this financial statement

SOUTHERN GROVE COMMUNITY DEVELOPMENT DISTRICT 5

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Southern Grove Community Development District 5 (the "District") conform to generally accepted accounting principles as applicable to governments. The District was formerly known as Westchester Community Development District 5 and lawfully changed its name to Southern Grove Community Development District 5A effective August 14, 2006. Effective during fiscal year 2009, Southern Grove Community Development District 5A formerly merged with Southern Grove Community Development District 5. The following is a summary of the more significant policies:

Reporting Entity

The District is an independent unit of special-purpose local government of the State of Florida created by law and established in accordance with the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes, as amended by ordinance of St. Lucie County, Florida, effective on March 11, 2003 (date of inception) as amended. The Act provides for a five member Board of Supervisors to serve as the governing body of the District. The District has no component units. Its purpose is to manage and finance basic community development systems, facilities and services, including capital infrastructure.

Basis of Presentation

Government-wide Financial Statements - Government-wide financial statements, including the statement of net assets and statement of activities, present information about the District as a whole. These statements include the nonfiduciary financial activity of the primary government and its component units.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the District.

The effects of interfund activity have been eliminated from the government-wide financial statements.

SOUTHERN GROVE COMMUNITY DEVELOPMENT DISTRICT 5

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major Governmental Fund Types

General Fund - The general fund is the general operating fund of the District. All general tax revenue and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The general operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the general fund.

Capital Projects Fund - Capital projects funds are established to provide common infrastructure to support the master planned community.

Assessments

Assessments are non-ad valorem assessments on benefited lands within the District. Assessments are levied to pay for the operations and maintenance of the District. 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. The District's annual assessments for operations are billed and collected by the County Tax Collector. The amounts remitted to the District are net of applicable discounts or fees and include interest on monies held from the day of collection to the day of distribution.

Equity Classifications

In the fund financial statements, governmental funds report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change. Under GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances are required to be reported according to the following classifications:

Non-Spendable Fund Balance – Amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. “Not in spendable form” includes items that are not expected to be converted to cash (such as inventories and prepaid amounts) and items such as long-term amount of loans and notes receivable, as well as property acquired for resale. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

Restricted Fund Balance – Amounts that can be spent only for specific purposes stipulated by (a) external resource providers such as creditors (by debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

SOUTHERN GROVE COMMUNITY DEVELOPMENT DISTRICT 5

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classifications (continued)

Committed Fund Balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Supervisors. Commitments may be changed or lifted only by the Board of Supervisors taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned Fund Balance – Includes spendable fund balance amounts established by the Board of Supervisors that are intended to be used for specific purposes that are neither considered restricted nor committed.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The District first uses committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Cash and Cash Equivalents

Florida Statutes require state and local governmental units to deposit monies with a financial institution classified as a “Qualified Public Depository,” which is a state insurance pool for banks and other financial institutions. The pool requires each bank to render as collateral a percentage of all state and local monies on deposit. Upon default of a particular financial institution within the pool, the pooled collateral is used to reinstate the state and local government deposits. This pool is additional insurance above the federal depository insurance. The District has cash deposits only with qualifying institutions as of September 30, 2019.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits (interest and non-interest bearing).

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:

SOUTHERN GROVE COMMUNITY DEVELOPMENT DISTRICT 5

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Investments (continued)

- 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. In addition, surplus funds may be deposited into certificates of deposit which are insured.

The District records all interest revenue related to investment activities in the respective funds and reports investments at fair value.

Guaranteed Investment Certificate	
matures 05/01/20	\$ 50,000
Money Market, with varying interest rates	
no set maturity	<u>2,663,636</u>
	<u>\$ 2,713,636</u>

Credit Risk:

Florida Statutes require the money market mutual funds held by the District to have the highest credit quality rating from a nationally recognized rating agency. The District holdings are exempt from this requirement at September 30, 2019.

Interest Rate Risk:

Florida Statutes state that the investment portfolio be structured in such manner as to provide sufficient liquidity to pay obligations as they come due. All holdings are currently liquid.

Concentration of Credit Risk:

GASB 40 requires disclosure when investments are more than 5% in any one issuer. All investments held by the District are exempt from this requirement.

Custodial Credit Risk:

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District 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, 2019, the District is exempt from this requirement.

SOUTHERN GROVE COMMUNITY DEVELOPMENT DISTRICT 5

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Investments (continued)

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.

Capital Assets

Capital assets, which include land and land improvements, buildings and improvements, infrastructure, machinery and equipment, are reported in the governmental activities column.

The District defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. The valuation basis for all assets is historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

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

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

Buildings and improvements	7-39 years
Infrastructure	20-40 years
Machinery and equipment	5-10 years

SOUTHERN GROVE COMMUNITY DEVELOPMENT DISTRICT 5

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unearned Revenue

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

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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 (Board appointed non-voting positions) of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, and other administrative costs.

Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to September 30, 2019, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended September 30, 2019. As a result of the spread of COVID-19, economic uncertainties have risen which are likely to negatively impact operating results, though such potential impact is unknown at this time. Management has performed their analysis through May 14, 2020.

Subsequent to fiscal year end, the District issued \$7,035,000 of Series 2019 Special Assessment Bonds to refinance the 2014 Series Bonds.

NOTE B - 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.

- a) Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- b) Public hearings are conducted to obtain public comments.
- c) Prior to October 1, the budget is legally adopted by the District Board.
- d) All budget changes must be approved by the District Board.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

SOUTHERN GROVE COMMUNITY DEVELOPMENT DISTRICT 5

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE C – PROPERTY AND EQUIPMENT

A summary of changes in general fixed assets follows:

	September 30, 2018	Increases	Decreases	September 30, 2019
Governmental activities:				
Capital Assets, not being Depreciated:				
Land and Improvements	\$ 332,500	\$ -	\$ -	\$ 332,500
Construction in Progress	4,114,131	-	-	4,114,131
Total Capital Assets, not being Depreciated	4,446,631	-	-	4,446,631
Capital assets, being depreciated:				
Infrastructure	1,163,696	-	-	1,163,696
Improvements other than Buildings	2,210,038	-	-	2,210,038
Total Capital Assets, being Depreciated	3,373,734	-	-	3,373,734
Less Accumulated Depreciation for:				
Infrastructure	122,281	33,760	-	156,041
Improvements other than Buildings	328,434	91,940	-	420,374
Total Accumulated Depreciation	450,715	125,700	-	576,415
Total Capital Assets, being Depreciated - Net	2,923,019	(125,700)	-	2,797,319
Governmental Activities Capital Assets - Net	\$ 7,369,650	\$ (125,700)	\$ -	\$ 7,243,950

Depreciation expense recorded in governmental activities was \$125,700 in 2019.

NOTE D – GENERAL LONG-TERM DEBT

\$2,655,000 Bond Anticipation Note, Series 2014 (Community Infrastructure) – On December 17, 2014, the District issued \$2,655,000 Bond Anticipation Note, Series 2014 (Community Infrastructure). The Bond Anticipation Note is payable May 2020. The bond bears an interest rate of 3.0% payable semi-annually on the first day of each May and November.

\$5,800,000 Bond Anticipation Note, Series 2014 (District Infrastructure) – On December 17, 2014, the District issued \$5,800,000 Bond Anticipation Note, Series 2014 (District Infrastructure). The Bond Anticipation Note is payable May 2020. The bond bears an interest rate of 3.0% payable semi-annually on the first day of each May and November.

SOUTHERN GROVE COMMUNITY DEVELOPMENT DISTRICT 5

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE D – GENERAL LONG-TERM DEBT (CONTINUED)

The following is a summary of transactions of bonds payable for the year ended September 30, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bond Anticipation Note, Series 2014 (Community Infrastructure)	\$ 2,655,000	\$ -	\$ 351,677	\$ 2,303,323	\$ 2,303,323
Bond Anticipation Note, Series 2014 (District Infrastructure)	<u>5,800,000</u>	<u>-</u>	<u>-</u>	<u>5,800,000</u>	<u>5,800,000</u>
	<u>\$ 8,455,000</u>	<u>\$ -</u>	<u>\$ 351,677</u>	<u>\$ 8,103,323</u>	<u>\$ 8,103,323</u>

The debt service requirement for the bonds payable is as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 8,455,000	\$ 247,152	\$ 8,702,152
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	-
	<u>\$ 8,455,000</u>	<u>\$ 247,152</u>	<u>\$ 8,702,152</u>

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

NOTE F – DEPENDENCY ON SUPPORT

The District receives the majority of its funding from local tax revenue. A reduction in the level of advances would have a substantial effect on the District’s projects and activities.

NOTE E – EQUITY TRANSFER

The Districts are bound by an Inter-Local agreement where revenues are received and paid out of Southern Grove Community Development District (SG 1), and revenues and expenses are allocated out of SG 1 to the other Districts, SG 1 is the Master District of the inter-local agreement. A reduction of available surplus would have substantial effect on the District’s assessments. During 2019, District SG 1 transferred prior year surpluses to the other Districts in the form of equity transfers, those amounts are recorded in the accompanying financial as other sources.

SOUTHERN GROVE COMMUNITY DEVELOPMENT DISTRICT 5
STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL –
GENERAL FUND
Year Ended September 30, 2019

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUE				
Stormwater Fees	\$ -	\$ 88,223	\$ 88,223	\$ -
On-Roll Assessments	305,625	363,853	330,304	(33,549)
Other Income	-	178	178	-
Interest Income	-	17	17	-
TOTAL REVENUE	<u>305,625</u>	<u>452,271</u>	<u>418,722</u>	<u>(33,549)</u>
EXPENDITURES				
General Government				
Administrative	113,125	124,376	89,893	34,483
Maintenance	192,500	246,857	257,283	(10,426)
TOTAL EXPENDITURES	<u>305,625</u>	<u>371,233</u>	<u>347,176</u>	<u>24,057</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	81,038	71,546	(9,492)
OTHER FINANCING SOURCES/(USES)				
Equity Transfer	-	-	256,186	256,186
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES/(USES)	<u>\$ -</u>	<u>\$ 81,038</u>	<u>\$ 327,732</u>	<u>\$ 246,694</u>

SOUTHERN GROVE COMMUNITY DEVELOPMENT DISTRICT 5
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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 receipts 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).

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. 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. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2019.

The variance between budgeted and actual general fund revenues is considered significant. The actual general fund expenditures for the current fiscal year were lower than budgeted amounts due primarily to anticipated costs which were not incurred in the current fiscal year.

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*

Board of Directors
Southern Grove Community Development District 5
Port St. Lucie, Florida

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Southern Grove Community Development District 5, as of September 30, 2019 and for the year ended, which collectively comprise the Southern Grove Community Development District 5's basic financial statements and have issued our report thereon dated May 14, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 over financial reporting.

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 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.

Compliance and Other Matters

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

Purpose of this Report

This report is intended 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.

DiBartolomeo, McBee, Hartley & Barnes

DiBartolomeo, McBee, Hartley & Barnes, P.A.
Fort Pierce, Florida
May 14, 2020

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

Board of Directors
Southern Grove Community Development District 5
Port St. Lucie, Florida

We have examined the District's compliance with the requirements of Section 218.415, Florida Statutes with regards to the District's investments during the year ended September 30, 2019. 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, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.

DiBartolomeo, McBee, Hartley & Barnes

DiBartolomeo, McBee Hartley & Barnes, P.A.
Fort Pierce, Florida
May 14, 2020

Management Letter

Board of Directors
Southern Grove Community Development District 5
Port St. Lucie, Florida

Report on the Financial Statements

We have audited the financial statements of the Southern Grove Community Development District 5 as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated May 14, 2020.

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 Reports

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated May 14, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

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

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not Southern Grove Community Development District 5 has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the Southern Grove Community Development District 5 did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Southern Grove Community Development District 5's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the Southern Grove Community Development District 5 for the fiscal year ended September 30, 2019, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2019. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address 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 have 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 Chairman and Members of the Board of Commissioners, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

DiBartolomeo, McBee, Hartley & Barnes

DiBartolomeo, McBee, Hartley & Barnes, P.A.

Fort Pierce, Florida

May 14, 2020