

**CENTRAL LAKE
COMMUNITY DEVELOPMENT DISTRICT
LAKE COUNTY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2018**

**CENTRAL LAKE COMMUNITY DEVELOPMENT DISTRICT
LAKE COUNTY, FLORIDA**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Central Lake Center Community Development District
Lake County, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of Central Lake Community Development District, Lake County, Florida ("District") as of and for the fiscal year ended September 30, 2018, and the related notes to the basic 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 District as of September 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the fiscal 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 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 June 24, 2019, 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 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.

Report on Other Legal and Regulatory Requirements

We have also issued our report dated June 24, 2019, on our consideration of the District's compliance with the 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.

June 24, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Central Lake Community Development District, Lake County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2018. 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 most recent fiscal year resulting in a net position balance of \$209,409.
- The change in the District's total net position in comparison with the prior fiscal year was \$84,279, an increase. The key components of the District's net position and change in net position are reflected in the table in the basic financial analysis section.

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 a statement of net position, a statement of revenues, expenses and changes in net position, a statement of cash flows, 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 fund net position presents information on all revenues and expenses of the District and the change in net position.

The statement of cash flows presents information regarding changes in cash due to cash receipts and cash disbursements during the reporting period.

Proprietary Fund

The District maintains one type of proprietary fund, an enterprise fund. The District uses the enterprise fund to account for the operations of the water and sewer utility facilities within the District. As such it employs an economic resources measurement focus, the goal of which is to assess the change in its total economic resources over a period of time. This goal is accomplished through the use of the accrual basis of accounting, under which revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of cash receipts and disbursements.

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, 2018.

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

| | NET POSITION | |
|-------------------------------------|---------------|------------|
| | SEPTEMBER 30, | |
| | 2018 | 2017 |
| Current and other assets | \$ 376,052 | \$ 352,911 |
| Capital assets, net of depreciation | - | 1,300 |
| Total assets | 376,052 | 354,211 |
| Current liabilities | 166,643 | 229,081 |
| Total liabilities | 166,643 | 229,081 |
| Net position | | |
| Net investment in capital assets | - | 1,300 |
| Unrestricted | 209,409 | 123,830 |
| Total net position | \$ 209,409 | \$ 125,130 |

The District's net position increased during the most recent fiscal year. The majority of the increase represents the extent to which ongoing program revenues exceeded the cost of operations and depreciation expense.

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, | |
| | 2018 | 2017 |
| Operating revenues | \$ 576,207 | \$ 603,013 |
| Operating expenses: | | |
| Administrative and general | 118,876 | 137,021 |
| Cost of sales and services | 373,100 | 445,679 |
| Total operating expenses | 491,976 | 582,700 |
| Operating Income | 84,231 | 20,313 |
| Non-operating: | | |
| Interest income | 48 | 29 |
| Total non-operating | 48 | 29 |
| Change in net position | 84,279 | 20,342 |
| Net position - beginning | 125,130 | 104,788 |
| Net position - ending | \$ 209,409 | \$ 125,130 |

The District's 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 decrease in operating revenues is primarily the result of decreases in the contribution in aid of construction (CIAC) fees and utility revenues. The decrease in operating expenses is primarily the result of a decrease in plant repair and maintenance.

CAPITAL ASSETS

The District reported net capital assets of \$0. More detailed information about the District's capital assets 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 water and sewer operations 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 Central Lake Community Development District's Finance Department at 135 West Central Boulevard, Suite 320, Orlando, Florida, 32801.

**CENTRAL LAKE COMMUNITY DEVELOPMENT DISTRICT
LAKE COUNTY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018**

ASSETS

Current assets:

| | |
|---------------------------|------------|
| Cash and cash equivalents | \$ 301,392 |
| Investments | 2,541 |
| Accounts receivable | 46,171 |
| Due from other | 10,956 |
| Prepaid expense | 14,992 |
| Total current assets | 376,052 |

Noncurrent assets:

Capital assets:

| | |
|--|---------|
| Machinery and equipment | 6,500 |
| Less accumulated depreciation | (6,500) |
| Total capital assets (net of depreciation) | - |
| Total noncurrent assets | - |
| Total assets | 376,052 |

LIABILITIES

Current liabilities:

| | |
|---------------------------|---------|
| Accounts payable | 7,229 |
| Other current liabilities | 158,414 |
| Builders deposits | 1,000 |
| Total current liabilities | 166,643 |

NET POSITION

| | |
|--------------------|------------|
| Unrestricted | 209,409 |
| Total net position | \$ 209,409 |

See notes to the financial statements

**CENTRAL LAKE COMMUNITY DEVELOPMENT DISTRICT
LAKE COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

| | |
|-----------------------------------|-------------------|
| OPERATING REVENUES | |
| Charges for sales and services | \$ 414,648 |
| RAM fees | 117,691 |
| Miscellaneous revenue | <u>43,868</u> |
| Total operating revenues | <u>576,207</u> |
| OPERATING EXPENSES | |
| Administrative and general | 118,876 |
| Cost of sales and services | <u>373,100</u> |
| Total operating expenses | <u>491,976</u> |
| OPERATING INCOME | 84,231 |
| NON-OPERATING REVENUES (EXPENSES) | |
| Interest income | <u>48</u> |
| Total non-operating revenues | <u>48</u> |
| Change in net position | 84,279 |
| Total net position - beginning | <u>125,130</u> |
| Total net position - ending | <u>\$ 209,409</u> |

See notes to the financial statements

**CENTRAL LAKE COMMUNITY DEVELOPMENT DISTRICT
LAKE COUNTY, FLORIDA
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

| | |
|--|------------|
| CASH FLOW FROM OPERATING ACTIVITIES | |
| Receipts from customers and users | \$ 579,117 |
| Payments to suppliers | (553,114) |
| Net Cash Provided (Used) by Operating Activities | 26,003 |
| CASH FLOW FROM INVESTING ACTIVITIES | |
| Sale of investments | (48) |
| Interest income | 48 |
| Net Cash Provided (Used) by Investing Activities | - |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 26,003 |
| CASH AND CASH EQUIVALENTS - BEGINNING | 275,389 |
| CASH AND CASH EQUIVALENTS - ENDING | \$ 301,392 |
| RECONCILIATION OF OPERATING INCOME TO | |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | |
| Operating income | \$ 84,231 |
| ADJUSTMENTS TO RECONCILE OPERATING INCOME | |
| TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | |
| Depreciation | 1,300 |
| (Increase) / decrease in accounts receivable | 9,036 |
| (Increase) / decrease in due from other | (6,126) |
| (Decrease) / increase in accounts payable | (8,944) |
| (Decrease) / increase in other current liabilities | (53,494) |
| Total adjustments | (58,228) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | \$ 26,003 |

See notes to the financial statements

**CENTRAL LAKE COMMUNITY DEVELOPMENT DISTRICT
LAKE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

Central Lake Community Development District ("District") was created on May 11, 2001 pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes, by Lake County Ordinance 2001-75. 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. Certain District members are affiliated with Mission Inn Golf & Tennis Resort, Inc. ("Developer") at September 30, 2018.

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 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 its activities and functions in an enterprise fund. The enterprise fund is used to account for the operation of a leased water and sewer 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 is segregated into net investment in capital assets, 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 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:

- 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 are recorded as expenditures when consumed rather than when purchased.

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.

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> |
|-------------------------|--------------|
| Machinery and equipment | 5 |

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized ratably over the life of the Bonds. Bonds payable are reported net of applicable premiums or discounts. 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.

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments

The District's investments were held as follows at September 30, 2018:

| | Amortized Cost | Credit Risk | Maturities |
|--|-----------------|-------------|--------------------------------|
| Investment in Local Government Surplus Funds Trust | | | Average of the fund portfolio: |
| Fund (Florida PRIME) | \$ 2,541 | S&P AAAM | 33 days |
| Total Investments | <u>\$ 2,541</u> | | |

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.

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

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.

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 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2018 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|--|----------------------|-------------------|-------------|-------------------|
| <u>Business-type activities</u> | | | | |
| Capital assets, being depreciated | | | | |
| Machinery and equipment | \$ 6,500 | \$ - | \$ - | \$ 6,500 |
| Total capital assets, being depreciated | <u>6,500</u> | <u>-</u> | <u>-</u> | <u>6,500</u> |
| Less accumulated depreciation for: | | | | |
| Machinery and equipment | 5,200 | 1,300 | - | 6,500 |
| Total accumulated depreciation | <u>5,200</u> | <u>1,300</u> | <u>-</u> | <u>6,500</u> |
| Total capital assets, being depreciated, net | <u>1,300</u> | <u>(1,300)</u> | <u>-</u> | <u>-</u> |
| Business-type activities capital assets | <u>\$ 1,300</u> | <u>\$ (1,300)</u> | <u>\$ -</u> | <u>\$ -</u> |

NOTE 5 – RELATED PARTY TRANSACTIONS

Lease Agreement

The District leases a water and wastewater facility under a ten year term operating lease. During the prior fiscal year, the owner of the water and wastewater facility changed from Packing House By-Products, Co. (an affiliate of the Developer) to Sewer & Plant Investments, LLC. The current lease term expires in August 2026 with an additional four, ten year optional lease renewal clause whereby the lease will be automatically renewed unless six months' notice is given to cancel the lease. Lease payments are calculated each year based on a formula detailed in the lease agreement.

Lease expense for the facility totaled \$310,664 for the fiscal year ended September 30, 2018.

Future minimum rental payments under the lease are as follows:

| Year ending | |
|---------------|---------------------|
| September 30: | |
| 2019 | \$ 150,000 |
| 2020 | 150,000 |
| 2021 | 150,000 |
| 2022 | 150,000 |
| 2023 | 150,000 |
| 2024 | 150,000 |
| 2025 | 150,000 |
| 2026 | 150,000 |
| Total | <u>\$ 1,200,000</u> |

NOTE 6 – RAM FEES

The District began assessing a \$2 / month Reserve and Maintenance (“RAM”) fee on each equivalent residential connection (“ERC”) of undeveloped lands in December 2014. The fee increased to \$4 per month in April 2016. The Board held a public hearing and adopted the fee via motion at the beginning of the prior fiscal year. The fees are to cover maintenance costs for the idle sewer plant which is not yet being used due to undeveloped units. Such fees totaled \$117,691 during the current fiscal year which includes a receivable balance of \$2,493.

NOTE 7 – CONCENTRATION

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

NOTE 8 – 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 9 – RISK MANAGEMENT

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



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
Central Lake Community Development District
Lake 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 Central Lake Community Development District, Lake County, Florida ("District") as of and for the fiscal year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated June 24, 2019.

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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

June 24, 2019



**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
Central Lake Community Development District
Lake County, Florida

We have examined Central Lake Community Development District, Lake 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, 2018. 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.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2018.

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 Central Lake Community Development District, Lake County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

June 24, 2019



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

To the Board of Supervisors
Central Lake Community Development District
Lake County, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of Central Lake Community Development District, Lake County, Florida ("District") as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated June 24, 2019.

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 Florida Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of 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 24, 2019, 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 Central Lake Community Development District, Lake County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Central Lake Community Development District, Lake 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.

June 24, 2019

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, 2017.

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, 2018.

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, 2018.

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. 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.