

**WATERGRASS
COMMUNITY DEVELOPMENT DISTRICT I
PASCO COUNTY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2019**

**WATERGRASS COMMUNITY DEVELOPMENT DISTRICT I
PASCO COUNTY, FLORIDA**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Watergrass Community Development District I
Pasco County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Watergrass Community Development District I, Pasco County, Florida ("District") as of and for the fiscal 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 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 and budgetary comparison information 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 19, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

May 19, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Watergrass Community Development District I, Pasco County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2019. 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 \$3,364,336.
- The change in the District's total net position in comparison with the prior fiscal year was (\$21,948,851), a decrease. The key components of the District's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2019, the District's governmental funds reported combined ending fund balances of \$1,864,680, a decrease of (\$524,981) in comparison with the prior year. A portion of fund balance is restricted for debt service and capital projects, non-spendable for prepaid items and deposits, and the remainder is unassigned fund balance which is available for spending at the District's discretion.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

The government-wide financial statements distinguish functions of the District that are principally supported by special assessment revenues. The District does not have any business-type activities. The governmental activities of the District include the general government (management), physical environment, roads and streets, and recreational functions.

Fund Financial Statements

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

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three governmental funds for external reporting. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund and capital projects fund, all of which are considered to be major funds.

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

Notes to the Financial Statements

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

GOVERNMENT-WIDE 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 most recent fiscal year.

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

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the District's other obligations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	NET POSITION	
	SEPTEMBER 30,	
	Governmental Activities	
	2019	2018
Current and other assets	\$ 1,886,086	\$ 2,412,823
Capital assets, net of depreciation	14,798,345	38,520,428
Total assets	16,684,431	40,933,251
Current liabilities	288,858	359,018
Long-term liabilities	13,031,237	14,503,754
Total liabilities	13,320,095	14,862,772
Net position		
Net investment in capital assets	1,767,108	24,016,674
Restricted	1,164,434	1,608,045
Unrestricted	432,794	445,760
Total net position	\$ 3,364,336	\$ 26,070,479

The District's net position decreased during the most recent fiscal year. The majority of the decrease represents the conveyance of capital assets to Watergrass CDD II and other entities for operation and maintenance.

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,	
	Governmental Activities	
	2019	2018
Revenues:		
Program revenues		
Charges for services	\$ 892,865	\$ 1,416,997
General revenues		
Unrestricted investment earnings	1,137	2,754
Miscellaneous	2,000	1,871
Watergrass II CDD transfer	1,504,110	3,154,504
Total revenues	2,400,112	4,576,126
Expenses:		
General government	85,638	111,274
Physical environment	854,936	321,744
Roads and streets	51,604	61,193
Culture and recreation	72,687	72,687
Conveyance of capital assets	22,387,242	-
Interest on long-term debt	896,856	904,772
Total expenses	24,348,963	1,471,670
Change in net position	(21,948,851)	3,104,456
Net position - beginning, as previously stated	26,070,479	22,966,023
Correction for depreciation of capital assets placed in service	(757,292)	-
Net position - beginning, as restated	25,313,187	22,966,023
Net position - ending	\$ 3,364,336	\$ 26,070,479

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2019 was \$24,348,963. The costs of the District's activities were primarily funded by program revenues and amounts received from Watergrass CDD II. As in the prior fiscal year, program revenues are comprised primarily of assessments. The decrease in program revenues primarily results from higher prepaid assessments in the prior fiscal year. The increase in expenses is primarily the result of the conveyance of capital assets to Watergrass CDD II and other entities for operation and maintenance.

GENERAL BUDGETING HIGHLIGHTS

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 exceeded appropriations by \$16,621 for the fiscal year ended September 30, 2019. The over expenditures were funded by available fund balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2019, the District had \$16,599,594 invested in capital assets for its governmental activities. In the government-wide financial statements, depreciation of \$1,801,249 has been taken, which resulted in a net book value of \$14,798,345. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Capital Debt

At September 30, 2019, the District had \$8,450,000 in Bonds outstanding and \$4,630,000 in Notes outstanding for its governmental activities. During the current fiscal year, the District issued \$4,630,000 in Series 2019 Notes to refund the Series 2005 Bonds. More detailed information about the District's debt is presented in the accompanying notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND OTHER EVENTS

The District does not anticipate any major projects or significant changes to its infrastructure maintenance program for fiscal year 2020. 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 landowners, 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 District's Finance Department at 2005 Pan Am Circle, Suite 300, Tampa, FL 33607.

FINANCIAL STATEMENTS

**WATERGRASS COMMUNITY DEVELOPMENT DISTRICT I
PASCO COUNTY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 444,714
Accounts receivable	1,712
Due from other government	1,479
Prepays and deposits	6,987
Restricted assets:	
Investments	1,431,194
Capital assets	
Depreciable assets, net	<u>14,798,345</u>
Total assets	<u>16,684,431</u>
 LIABILITIES	
Accounts payable and accrued expenses	21,406
Accrued interest payable	267,452
Non-current liabilities:	
Due within one year	365,000
Due in more than one year	<u>12,666,237</u>
Total liabilities	<u>13,320,095</u>
 NET POSITION	
Net investment in capital assets	1,767,108
Restricted for debt service	1,114,190
Restricted for capital projects	50,244
Unrestricted	<u>432,794</u>
Total net position	<u>\$ 3,364,336</u>

See notes to the financial statements

**WATERGRASS COMMUNITY DEVELOPMENT DISTRICT I
PASCO COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Governmental Activities</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Primary government:				
Governmental activities:				
General government	\$ 85,638	\$ 85,638	\$ -	-
Physical environment	854,936	250,225	-	(604,711)
Roads and streets	51,604	51,604	-	-
Culture and recreation	72,687	72,687	-	-
Conveyance of capital assets	22,387,242	-	-	(22,387,242)
Interest on long-term debt	896,856	432,711	-	(464,145)
Total governmental activities	24,348,963	892,865	-	(23,456,098)
General revenues:				
Unrestricted investment earnings			1,137	
Miscellaneous			2,000	
Watergrass II CDD transfer			1,504,110	
Total general revenues			1,507,247	
Change in net position				(21,948,851)
Net position - beginning, as previously stated				26,070,479
Correction for depreciation of capital assets placed in service				(757,292)
Net position - beginning as restated				25,313,187
Net position - ending				\$ 3,364,336

See notes to the financial statements

**WATERGRASS COMMUNITY DEVELOPMENT DISTRICT I
PASCO COUNTY, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Projects	
ASSETS				
Cash	\$ 444,714	\$ -	\$ -	\$ 444,714
Investments	-	1,380,950	50,244	1,431,194
Accounts receivable	1,712	-	-	1,712
Due from other governments	787	692	-	1,479
Prepays and deposits	6,987	-	-	6,987
Total assets	<u>\$ 454,200</u>	<u>\$ 1,381,642</u>	<u>\$ 50,244</u>	<u>\$ 1,886,086</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$ 21,406	\$ -	\$ -	\$ 21,406
Total liabilities	<u>21,406</u>	<u>-</u>	<u>-</u>	<u>21,406</u>
Fund balances:				
Nonspendable:				
Prepaid items and deposits	6,987	-	-	6,987
Restricted for:				
Debt service	-	1,381,642	-	1,381,642
Capital projects	-	-	50,244	50,244
Unassigned	425,807	-	-	425,807
Total fund balances	<u>432,794</u>	<u>1,381,642</u>	<u>50,244</u>	<u>1,864,680</u>
Total liabilities and fund balances	<u>\$ 454,200</u>	<u>\$ 1,381,642</u>	<u>\$ 50,244</u>	<u>\$ 1,886,086</u>

See notes to the financial statements

**WATERGRASS COMMUNITY DEVELOPMENT DISTRICT I
PASCO COUNTY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET-
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

Fund balance - governmental funds		\$ 1,864,680
<p>Amounts reported for governmental activities in the statement of net position are different because:</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The statement of net position includes those capital assets in the net position of the government as a whole.</p>		
Cost of capital assets	16,599,594	
Accumulated depreciation	<u>(1,801,249)</u>	14,798,345
<p>Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.</p>		
Accrued interest payable	(267,452)	
Bonds payable	<u>(13,031,237)</u>	<u>(13,298,689)</u>
Net position of governmental activities		<u><u>\$ 3,364,336</u></u>

See notes to the financial statements

**WATERGRASS COMMUNITY DEVELOPMENT DISTRICT I
PASCO COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Projects	
REVENUES				
Assessments	\$ 460,154	\$ 404,069	\$ -	\$ 864,223
Interest income	-	28,642	1,137	29,779
Miscellaneous	2,000	-	-	2,000
Total revenues	<u>462,154</u>	<u>432,711</u>	<u>1,137</u>	<u>896,002</u>
EXPENDITURES				
Current:				
General government	75,155	10,483	-	85,638
Physical environment	350,074	-	-	350,074
Roads and streets	51,604	-	-	51,604
Debt service:				
Principal	-	6,105,000	-	6,105,000
Interest	-	802,687	-	802,687
Other costs	-	-	-	-
Bond issuance costs	-	-	160,090	160,090
Total expenditures	<u>476,833</u>	<u>6,918,170</u>	<u>160,090</u>	<u>7,555,093</u>
Excess (deficiency) of revenues over (under) expenditures	(14,679)	(6,485,459)	(158,953)	(6,659,091)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	1	(4,855)	4,854	-
Transfer from Watergrass II CDD	1,712	1,502,398	-	1,504,110
Bond proceeds	-	4,464,296	165,704	4,630,000
Total other financing sources (uses)	<u>1,713</u>	<u>5,961,839</u>	<u>170,558</u>	<u>6,134,110</u>
Net change in fund balances	(12,966)	(523,620)	11,605	(524,981)
Fund balances - beginning	<u>445,760</u>	<u>1,905,262</u>	<u>38,639</u>	<u>2,389,661</u>
Fund balances - ending	<u>\$ 432,794</u>	<u>\$ 1,381,642</u>	<u>\$ 50,244</u>	<u>\$ 1,864,680</u>

See notes to the financial statements

**WATERGRASS COMMUNITY DEVELOPMENT DISTRICT I
PASCO COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

Net change in fund balances - total governmental funds	\$	(524,981)
Amounts reported for governmental activities in the statement of activities are different because:		
Depreciation of capital assets is not recognized in the governmental fund statements but is reported as an expense in the statement of activities.		(577,549)
Repayments of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities.		6,105,000
Governmental funds report the face amount of Bonds issued as financial resources when debt is first issued, whereas these amounts are eliminated in the statement of activities and recognized as long-term liabilities in the statement of net position.		(4,630,000)
Conveyances of infrastructure improvements to other governments of previously capitalized capital assets is recorded as an expense in the statement of activities.		(22,387,242)
Amortization of original issue discount is not recognized in the governmental fund statement but is reported as an expense in the statement of activities.		(2,483)
The change in accrued interest on long-term liabilities between the current and prior fiscal year is recorded in the statement of activities but not in the fund financial statements.		<u>68,404</u>
Change in net position of governmental activities	\$	<u>(21,948,851)</u>

See notes to the financial statements

**WATERGRASS COMMUNITY DEVELOPMENT DISTRICT I
PASCO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

Watergrass Community Development District I (the "District") was created by Pasco County Ordinance 05-04 enacted on February 22, 2005 pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes. 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 acquisition, construction, maintenance and operation of a portion of the infrastructure necessary for community development within the District.

In March 2013, the County approved the District's petition for contraction, and approved the creation of a new community development district (WaterGrass II). The New District basically encompasses the eastern portion of the Original District land area, at a size of approximately 771 acres. Concurrently with, or immediately following the establishment of the New District, the Original District was contracted to form the Contracted District (WaterGrass CDD I). Collectively, the New District and the Contracted District comprise the total land area of the Original District. The District and WaterGrass II entered into an interlocal agreement regarding the transfer of the assessments collected by WaterGrass II to WaterGrass I for remittance to the Trustee for bond payments.

The District is governed by the Board of Supervisors (the "Board"), which is composed of five members. Four of the Supervisors are elected on an at large basis by the landowners of the District. One is elected on an at large basis by qualified electors that reside within the District. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has the responsibility for:

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Assessments

Assessments, including debt service assessments and operations and maintenance assessments, are non-ad valorem assessments imposed on all lands located within the District and benefitted by the District's activities. Assessments are certified for collection by the District prior to the start of the fiscal year which begins October 1st and ends on September 30th. Operation and maintenance special assessments are imposed upon all benefitted lands in the District. Debt service special assessments are imposed upon certain lots and lands described in each resolution imposing the special assessment for each series of Bonds issued by the District.

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

The government reports the following major governmental funds:

General Fund

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

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for the annual payment of principal and interest on long-term debt.

Capital Projects Fund

This fund accounts for the financial resources to be used for the acquisition or construction of major infrastructure within the District.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 on hand and demand deposits are considered to be cash and cash equivalents.

The District has adopted a written investment policy, which complies with the requirements of Section 218.415 Florida Statutes. All investments comply with the requirements of the written investment policy. 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;

In addition, surplus funds may be deposited into certificates of deposit which are insured. Any unspent proceeds are required to be held in investments as specified in the Bond Indenture.

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 in governmental funds 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 in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the governmental activities columns in the government-wide financial statements. 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 estimated fair market value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Recreational Facilities	20
Improvements other than buildings	30

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net position or Equity (Continued)

Unearned Revenue

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

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. 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.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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.

Fund Equity/Net Position

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.

The District can establish limitations on the use of fund balance as follows:

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. The Board may also assign fund balance as it does when appropriating fund balance to cover differences in estimated revenue and appropriations in the subsequent year's appropriated budget. Assignments are generally temporary and normally the same formal action need not be taken to remove the assignment.

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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position Restatement

The beginning capital assets and net position were restated to place assets in service in prior periods. The financial statements were restated as below:

Net capital asset - beginning, as previously stated	\$ 38,520,428
Correction for depreciation of capital assets placed in service	<u>(757,292)</u>
Net capital asset - beginning, as restated	<u>\$ 37,763,136</u>
Net position beginning, as previously stated	\$ 26,070,479
Correction for depreciation of capital assets placed in service	<u>(757,292)</u>
Net position beginning, as restated	<u>\$ 25,313,187</u>

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 – 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.

NOTE 4 – 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 4 – DEPOSITS AND INVESTMENTS (Continued)

Investments

The District's investments were held as follows at September 30, 2019:

	Amortized Cost	Credit Risk	Weighted average Maturities
Wells Fargo Government Money Market Fund INSTL Class #1751	\$ 1,431,194	S&P AAAm	25 days
Total Investments	\$ 1,431,194		

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.

The Bond indenture limits the type of investments held using unspent Bond proceeds.

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

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

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

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

Money market investments that have a maturity at the time of purchase of one year or less and are held by governments other than external investment pools should be measured at amortized cost. Accordingly, the District's investments have been reported at amortized cost above.

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended September 30, 2019 were as follows:

Fund	Transfer in	Transfer out
General fund	\$ 1	\$ -
Debt service	-	4,855
Capital projects	4,854	-
Total	\$ 4,855	\$ 4,855

Transfers are used to move revenues from the fund where collection occurs to the fund where funds have been reallocated for use. In the case of the District, transfers from the debt service fund to the capital projects fund represent the transfer of funds to the deferred cost account in accordance with the Bond Indentures.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2019 was as follows:

	Beginning Balance (Restated)	Additions	Deletions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Infrastructure under construction	\$ 22,387,242	\$ -	\$ 22,387,242	\$ -
Total capital assets, not being depreciated	22,387,242	-	22,387,242	-
Capital assets, being depreciated				
Improvements other than buildings	15,145,848	-	-	15,145,848
Recreational facilities	1,453,746	-	-	1,453,746
Total capital assets, being depreciated	16,599,594	-	-	16,599,594
Less accumulated depreciation for:				
Improvements other than buildings	757,292	504,862	-	1,262,154
Recreational facilities	466,408	72,687	-	539,095
Total accumulated depreciation	1,223,700	577,549	-	1,801,249
Total capital assets, being depreciated, net	15,375,894	(577,549)	-	14,798,345
Governmental activities capital assets, net	\$ 37,763,136	\$ (577,549)	\$ 22,387,242	\$ 14,798,345

In a prior fiscal year, the Series 2005 Phase I project was deemed complete and the engineer issued a completion certificate.

Due to the contraction of the District (as discussed in Note 1), WaterGrass I conveyed \$15,169,112 to WaterGrass II certain infrastructure improvements that are located in the boundaries of WaterGrass II.

At September 30, 2019, there is a balance of \$50,243 in the Series 2007 deferred cost accounts. The District has not yet determined if a liability exists for deferred costs.

Depreciation expense was charged to function/programs as follows:

Physical environment	\$ 72,687
Culture and recreation	504,862
Total depreciation expense	<u>\$ 577,549</u>

NOTE 7 – LONG-TERM LIABILITIES

Series 2005

On October 1, 2005, the District issued \$6,230,000 of Special Assessment Revenue Bonds, Series 2005A and \$17,620,000 of Special Assessment Revenue Bonds, Series 2005B consisting of Term bonds due on May 1, 2036 and November 1, 2010, respectively, with fixed interest rates of 5.5% and 4.875%, respectively. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of certain property within the District. Interest is paid semiannually on each May 1 and November 1, commencing May 1, 2006. Principal is paid annually commencing May 1, 2007 through May 1, 2036 for the Series 2005A Bonds. All unpaid principal on the Series 2005B Bonds was originally due on November 1, 2010, however the bonds were restructured in October, 2010. The principal due date was extended to November 1, 2017 and the interest rate was increased to 7%. In the 2018 fiscal year, the District paid off the Series 2005B Bonds in full. In the current fiscal year, the District refunded and paid off the Series 2005A Bonds in full.

The Series 2005A Bonds are subject to redemption at the option of the District prior to their maturity. The Series 2005B Bonds are not subject to optional redemption. The Bonds are subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture. This occurred during the current fiscal year, as the District collected assessments from lot closings and prepaid \$100,000 of the Series 2005A Bonds.

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Series 2007

On May 18, 2007, the District issued \$7,660,000 of Special Assessment Revenue Bonds, Series 2007A and \$10,985,000 of Special Assessment Revenue Bonds, Series 2007B consisting of Term bonds due on May 1, 2039 and November 1, 2014, respectively, with fixed interest rates of 5.375% and 5.125%, respectively. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of certain property within the District. Interest is paid semiannually on each May 1 and November 1, commencing November 1, 2007. Principal is paid annually commencing May 1, 2010 through May 1, 2039 for the Series 2007A Bonds. Principal on the Series 2007B Bonds was originally due on November 1, 2014, however the bonds were restructured in September 2014. The principal due date was extended to November 1, 2024 and the interest rate was increased to 5.90%.

The Series 2007A Bonds are subject to redemption at the option of the District prior to their maturity. The Series 2007B Bonds are not subject to optional redemption. The Bonds are subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture. This occurred during the current fiscal year, as the District collected prepaid assessments and prepaid \$495,000 and \$705,000 of the Series 2007A and 2007B Bonds. See Note 13 – Subsequent Events for additional call amounts made subsequent to year end.

The Bond Indenture established a debt service reserve requirement as well as other restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District was in compliance with the requirements at September 30, 2019.

Series 2019 Note

In March 2019, the District issued the \$4,630,000 Special Assessment Refunding Note Series 2019 due on May 1, 2036. The Note bears a fixed interest rate of 3.75%. The interest rate may be adjusted in the event there is a determination of taxability up to 5.5%. The Bonds were issued to currently refund the Series 2005A Bonds. Interest is paid semiannually on each May 1 and November 1, commencing May 1, 2019. Principal is paid annually commencing May 1, 2020 through May 1, 2036.

The Series 2019 Note is subject to redemption at the option of the District prior to its maturity. The Series 2007B Bonds are not subject to optional redemption. The Bonds are subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture. See Note 13 – Subsequent Events for call amounts made subsequent to year end.

The Bond Indenture established a debt service reserve requirement as well as other restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District was in compliance with the requirements at September 30, 2019.

Refunded Bonds

The District currently refunded the Series 2005A Special Assessment Revenue Bonds, which had an outstanding balance of \$4,660,000 at the time of the current refunding with the proceeds from the Series 2019 Bonds. The refunding was a current refunding and resulted in a difference in cash flows required to pay the respective debt service of \$963,674. The refunding resulted in an economic gain of \$454,832. The refunded Bonds have been paid off as of September 30, 2019.

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Long-term Debt Activity

Changes in long-term liability activity for the fiscal year ended September 30, 2019 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2005	\$ 4,760,000	\$ -	\$ 4,760,000	\$ -	\$ -
Series 2007	9,795,000	-	1,345,000	8,450,000	165,000
Less Issuance Discount	(51,246)	-	(2,483)	(48,763)	-
Note payable:					
Series 2019	-	4,630,000	-	4,630,000	200,000
Total	\$ 14,503,754	\$ 4,630,000	\$ 6,102,517	\$ 13,031,237	\$ 365,000

At September 30, 2019, the scheduled debt service requirements on the long-term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2020	\$ 365,000	\$ 637,448	\$ 1,002,448
2021	380,000	620,811	1,000,811
2022	400,000	603,449	1,003,449
2023	415,000	585,173	1,000,173
2024	435,000	566,173	1,001,173
2025-2029	5,185,000	1,799,754	6,984,754
2030-2034	3,135,000	1,085,382	4,220,382
2035-2039	2,765,000	327,553	3,092,553
Total	\$ 13,080,000	\$ 6,225,743	\$ 19,305,743

NOTE 8 – DEVELOPER TRANSACTIONS

The Developer owns a portion of land within the District; therefore, assessment revenues in the general and debt service funds include the assessments levied on those lots owned by the Developer.

NOTE 9 – RELATED DISTRICTS

Common Area Expenses - The District entered into an Inter-Local Agreement which allocates costs between WaterGrass Community Development District I (“WaterGrass I”) and WaterGrass Community Development District II (“WaterGrass II”). In connection with this agreement, during the fiscal year ended September 30, 2019, WaterGrass I, reported a \$1,712 receivable from WaterGrass II.

Debt Service Assessments - Due to the contraction of WaterGrass I District’s boundaries (as discussed in Note 1), the District entered into an Inter-Local Agreement between WaterGrass I and WaterGrass II. WaterGrass I had outstanding Special Assessment Revenue Bonds totaling \$13,080,000 as of September 30, 2019 and continues to be responsible to make debt service payments on the outstanding debt. Since some of the land transferred to the boundaries of WaterGrass II from WaterGrass I continues to be subject to special assessments for debt service, WaterGrass II ratifies and confirms its obligation under the Bond indentures to assess and collect special assessments necessary to pay the portion of the Bonds benefiting the lands with WaterGrass II.

During the fiscal year ended September 30, 2019, WaterGrass I reported amounts transferred from WaterGrass II to the debt service fund of \$1,502,398.

Capital Assets - Due to the contraction of the District (as discussed in Note 1), WaterGrass I conveyed \$15,169,112 to WaterGrass II certain infrastructure improvements that are located in the boundaries of WaterGrass II – see Note 6 for additional information.

NOTE 10 – DELINQUENT ASSESSMENTS

There are seven lots within the District that had delinquent assessments. Four of the lots were purchased via tax deed sale during fiscal year 2015. Tax certificates on these lots have sold for delinquent property taxes through 2018. As of April 1, 2020, there has been no applications for a tax deed sale on the four lots. As of April 1, 2020, taxes and assessments for 2019 have not been paid on the four lots.

The remaining 3 lots were escheated to the County on September 25, 2018. As a result, the amounts owed on the three lots will not be collected as a result of the escheatment process.

The related Series 2005A Bonds were refunded on March 18, 2019.

NOTE 11 – MANAGEMENT COMPANY

The District has contracted with a management company to perform management advisory services, which include financial and accounting 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.

NOTE 12 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; 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. There were no settled claims during the past three years.

NOTE 13 – SUBSEQUENT EVENTS

Bond payments

Subsequent to fiscal year end, the District prepaid \$10,000, \$775,000 and \$5,000 of the Series 2007A, 2007B Bonds, and Series 2019 Note, respectively. The prepayments were extraordinary mandatory redemptions as outlined in the Bond and Note Indentures.

**WATERGRASS COMMUNITY DEVELOPMENT DISTRICT I
PASCO COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
	Original & Final	Actual Amounts	
REVENUES			
Assessments	\$ 460,212	\$ 460,154	\$ (58)
Miscellaneous	-	2,000	2,000
Total revenues	<u>460,212</u>	<u>462,154</u>	<u>1,942</u>
EXPENDITURES			
Current:			
General government	88,982	75,155	13,827
Physical environment	349,730	350,074	(344)
Roads and streets	16,500	51,604	(35,104)
Culture and recreation	5,000	-	5,000
Total expenditures	<u>460,212</u>	<u>476,833</u>	<u>(16,621)</u>
Excess (deficiency) of revenues over (under) expenditures	-	(14,679)	(14,679)
OTHER FINANCING SOURCES			
Transfers out	-	1	1
Transfer from Watergrass II CDD	-	1,712	1,712
Total other financing sources	<u>-</u>	<u>1,713</u>	<u>1,713</u>
Net change in fund balances	<u>\$ -</u>	<u>(12,966)</u>	<u>\$ (12,966)</u>
Fund balance - beginning		<u>445,760</u>	
Fund balance - ending		<u>\$ 432,794</u>	

See notes to required supplementary information

**WATERGRASS COMMUNITY DEVELOPMENT DISTRICT I
PASCO COUNTY, FLORIDA
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).

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 exceeded appropriations by \$16,621 for the fiscal year ended September 30, 2019. The over expenditures were funded by available fund balance.



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
Watergrass Community Development District I
Pasco 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 financial statements of the governmental activities and each major fund of Watergrass Community Development District I, Pasco County, Florida ("District") as of and for the fiscal year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated May 19, 2020.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

We noted a matter that we reported to management of the District in a separate letter dated May 19, 2020.

The District's response to the finding identified in our audit is described in the accompanying Management Letter. We did not audit the District's response and, accordingly, we express no opinion on it.

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.

May 19, 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**

To the Board of Supervisors
Watergrass Community Development District I
Pasco County, Florida

We have examined Watergrass Community Development District I, Pasco County, Florida's ("District") compliance with the requirements of Section 218.415, 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, 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. 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, 2019, except that certain required language was not included in the policy and the individual assigned to make investment decisions did not have the required hours of continuing education for the year. The District should adopt the alternative guidelines for investments according to Florida Statute 218.415 or ensure the required language is included in the policy and the investment officer obtains the required hours.

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

May 19, 2020



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

To the Board of Supervisors
Watergrass Community Development District I
Pasco County, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of Watergrass Community Development District I, Pasco County, Florida ("District") as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated May 19, 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 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 May 19, 2020, 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 of 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 Watergrass Community Development District I, Pasco County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Watergrass Community Development District I, Pasco 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.

May 19, 2020

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2019-01 Budget

Observation: Actual expenditures exceeded appropriations in the general fund for the fiscal year ended September 30, 2019.

Recommendation: The District should amend the budget during the fiscal year or within statutory guidelines to ensure that all expenditures are properly budgeted.

Reference Number for Prior Year Finding: 2018-01

Management Response: Management has established processes and provided training to ensure that amended budgets are prepared and filed timely.

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

2018-01 Budget

Current Status: See finding no. 2019-01 above.

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, 2018, except as noted above.

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, 2019, except as noted above.

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, 2019.

4. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.
5. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
6. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2019. 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.