

**Terracina Community
Development District**

ANNUAL FINANCIAL REPORT

September 30, 2020

Terracina Community Development District

ANNUAL FINANCIAL REPORT

September 30, 2020

TABLE OF CONTENTS

| | |
|--|-------|
| REPORT OF INDEPENDENT AUDITORS | 1-2 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 3-7 |
| BASIC FINANCIAL STATEMENTS: | |
| Government-wide Financial Statements | |
| Statement of Net Position | 8 |
| Statement of Activities | 9 |
| Fund Financial Statements: | |
| Balance Sheet – Governmental Funds | 10 |
| Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities | 11 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds | 12 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 13 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund | 14 |
| Statement of Fiduciary Net Position – Agency Funds | 15 |
| Notes to Financial Statements | 16-25 |
| SUPPLEMENTARY INFORMATION | |
| Statement of Changes in Assets and Liabilities – Agency Funds | 26 |
| 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 <i>GOVERNMENT AUDITING STANDARDS</i> | 27-28 |
| MANAGEMENT LETTER | 29-30 |
| INDEPENDENT ACCOUNTANT'S REPORT/COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES | 31 |



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REPORT OF INDEPENDENT AUDITORS

To the Board of Supervisors
Terracina Community Development District
Palm Beach County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Terracina Community Development District as of and for the year ended September 30, 2020, and the related notes to 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 an opinion 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. 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 opinion.

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- 1 -

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To the Board of Supervisors
Terracina Community Development District

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, and each major fund of Terracina Community Development District as of September 30, 2020, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Governmental 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 *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 in accordance with governmental auditing standards generally accepted in the United States of America, which consisted principally of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 8, 2021 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 and contracts.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Terracina Community Development District's internal control over financial reporting and compliance.



Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

June 8, 2021

**Terracina Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2020**

Management's discussion and analysis of Terracina Community Development District's (the "District") financial performance provides an objective and easily readable analysis of the District's financial activities. The analysis provides summary financial information for the District and should be read in conjunction with the District's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's basic financial statements comprise three components; 1) *Government-wide financial statements*, 2) *Fund financial statements*, and 3) *Notes to financial statements*. The *Government-wide financial statements* present an overall picture of the District's financial position and results of operations. The *Fund financial statements* present financial information for the District's major funds. The *Notes to financial statements* provide additional information concerning the District's finances.

The *Government-wide financial statements* are the **statement of net position** and the **statement of activities**. These statements use accounting methods similar to those used by private-sector companies. Emphasis is placed on the net position of governmental activities and the change in net position. Governmental activities are primarily supported by special assessments.

The **statement of net position** presents information on all assets and liabilities of the District, with the difference between assets and liabilities reported as net position. Net position is reported in three categories; 1) net investment in capital assets 2) restricted and 3) unrestricted. Assets, liabilities, and net position are reported for all Governmental activities.

The **statement of activities** presents information on all revenues and expenses of the District and the change in net position. Expenses are reported by major function and program revenues relating to those functions are reported, providing the net cost of all functions provided by the District. To assist in understanding the District's operations, expenses have been reported as governmental activities. Governmental activities financed by the District include general government and physical environment.

Fund financial statements present financial information for governmental funds. These statements provide financial information for the major governmental funds of the District. Governmental fund financial statements provide information on the current assets and liabilities of the funds, changes in current financial resources (revenues and expenditures), and current available resources.

**Terracina Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund financial statements include a **balance sheet** and a **statement of revenues, expenditures and changes in fund balances** for all governmental funds. A **statement of revenues, expenditures, and changes in fund balances – budget and actual**, is provided for the District's General Fund. *Fund financial statements* provide more detailed information about the District's activities. Individual funds are established by the District to track revenues that are restricted to certain uses or to comply with legal requirements.

The *agency fund financial statement* includes a **statement of fiduciary net position**. These are funds held by the District on behalf of others and may not be used in governmental activities.

The *government-wide financial statements* and the *fund financial statements* provide different pictures of the District. The *government-wide financial statements* provide an overall picture of the District's financial standing. These statements are comparable to private-sector companies and give a good understanding of the District's overall financial health and how the District paid for the various activities, or functions, provided by the District. All assets of the District, including capital assets, are reported in the **statement of net position**. All liabilities obligated but not paid by the District, are included. In the **statement of activities** transactions between the different functions of the District are eliminated in order to avoid "doubling up" the revenues and expenses. The *fund financial statements* provide a picture of the major funds of the District. In the case of governmental activities, outlays for long lived assets are reported as expenditures and long term liabilities are not included in the fund financial statements. To provide a link from the *fund financial statements* to the *government-wide financial statements*, a reconciliation is provided from the *fund financial statements* to the *government-wide financial statements*.

Notes to financial statements provide additional detail concerning the financial activities and financial balances of the District. Additional information about the accounting practices of the District is also included in the *notes to financial statements*.

Financial Highlights

The following are the highlights of financial activity for the year ended September 30, 2020:

- The District's total assets exceeded total liabilities \$1,145,742 (net position). Unrestricted net position for governmental activities was \$43,556. Net investment in capital assets for governmental activities was \$1,102,186.
- Governmental activities revenues totaled \$123,942 while governmental activities expenses totaled \$164,017.

**Terracina Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District

The following tables present condensed, government-wide current year and prior year data about net position and changes in net position. Comparative year data is shown based on the Government financial reporting model under the Governmental Accounting Standards Board Statement No.34.

| | Governmental Activities | |
|---|--------------------------------|---------------------|
| | 2020 | 2019 |
| Net Position | | |
| Current assets | \$ 72,284 | \$ 113,428 |
| Capital assets | 1,102,186 | 1,128,214 |
| Total Assets | <u>1,174,470</u> | <u>1,241,642</u> |
| Current liabilities | <u>28,728</u> | <u>55,825</u> |
| Net position - net investment in capital assets | 1,102,186 | 1,128,214 |
| Net position - unrestricted | 43,556 | 57,603 |
| Total Net Position | <u>\$ 1,145,742</u> | <u>\$ 1,185,817</u> |

The decrease in capital assets and net investment in capital assets was due to depreciation in the current year.

The decrease in current assets and current liabilities is the result of the decrease in accounts payable in the current year.

**Terracina Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District (Continued)

The following schedule provides a summary of the changes in net position of the District and is presented by category for comparison purposes.

| | Governmental Activities | |
|----------------------------------|--------------------------------|---------------------|
| | 2020 | 2019 |
| Change in Net Position | | |
| Program Revenues | | |
| Charges for services | \$ 123,821 | \$ 121,106 |
| General Revenues | | |
| Investment earnings | 121 | 324 |
| Total Revenues | <u>123,942</u> | <u>121,430</u> |
| Expenses | | |
| General government | 65,708 | 68,866 |
| Physical environment | 98,309 | 94,096 |
| Total Expenses | <u>164,017</u> | <u>162,962</u> |
| Change in Net Position | (40,075) | (41,532) |
| Net Position – Beginning of Year | 1,185,817 | 1,227,349 |
| Net Position – End of Year | <u>\$ 1,145,742</u> | <u>\$ 1,185,817</u> |

**Terracina Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Capital Assets Activity

The following schedule provides a summary of the District's capital assets as of 2020 and 2019.

| <u>Description</u> | <u>Governmental Activities</u> | |
|--------------------------------|--------------------------------|---------------------------|
| | <u>2020</u> | <u>2019</u> |
| Construction in progress | \$ 9,994 | \$ 35,664 |
| Infrastructure | 1,864,796 | 1,803,505 |
| Less: Accumulated depreciation | <u>(772,604)</u> | <u>(710,955)</u> |
| Total Capital Assets, net | <u><u>\$1,102,186</u></u> | <u><u>\$1,128,214</u></u> |

The capital asset activity for the year ended September 30, 2020 was depreciation of \$61,649, additions to infrastructure of \$61,291 and additions of \$35,621 and transfers out of \$61,291 to construction in progress.

Budgetary Highlights

During the year, final budgeted expenditures exceeded actual amounts primarily because engineering and contingency costs were lower than anticipated.

The September 30, 2020 budget was amended because engineering costs and the fountain project costs were higher than originally anticipated.

Economic Factors

The District does not expect any economic factors to have any significant effect on the financial position or results of operations of the District in the subsequent fiscal year.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest. If you have any questions about this report or need additional financial information, contact Terracina Community Development District, District Manager, Special District Services, Inc., 2501A Burns Road, Palm Beach Gardens, Florida 33410 or telephone (561) 630-4922.

Terracina Community Development District
STATEMENT OF NET POSITION
September 30, 2020

| | Governmental Activities |
|----------------------------------|----------------------------|
| Assets | |
| Current Assets | |
| Cash and equivalents | \$ 71,525 |
| Due from other governments | 759 |
| Total Current Assets | 72,284 |
| Non-Current Assets | |
| Capital assets | |
| Construction in progress | 9,994 |
| Infrastructure | 1,864,796 |
| Less: accumulated depreciation | (772,604) |
| Total Non-Current Assets | 1,102,186 |
| Total Assets | 1,174,470 |
| Liabilities | |
| Current Liabilities | |
| Accounts payable | 28,728 |
| Net Position | |
| Net investment in capital assets | 1,102,186 |
| Unrestricted | 43,556 |
| Total Net Position | \$ 1,145,742 |

See accompanying notes to financial statements.

Terracina Community Development District
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020

| Functions/Programs | Expenses | Program Revenues Charges for Services | Net (Expense) Revenues and Changes in Net Position Governmental Activities |
|-----------------------------------|-----------------|--|---|
| General government | \$ (65,708) | \$ 79,478 | \$ 13,770 |
| Physical environment | (98,309) | 44,343 | (53,966) |
| Total Governmental Activities | \$ (164,017) | \$ 123,821 | (40,196) |
| General Revenues | | | |
| Investment earnings | | | 121 |
| Change in Net Position | | | (40,075) |
| Net Position - October 1, 2019 | | | 1,185,817 |
| Net Position - September 30, 2020 | | | \$ 1,145,742 |

See accompanying notes to financial statements.

**Terracina Community Development District
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2020**

| | General Fund |
|--|-------------------------|
| Assets | |
| Cash and equivalents | \$ 71,525 |
| Due from other governments | 759 |
| Total Assets | \$ 72,284 |
| Liabilities and Fund Balances | |
| Liabilities | |
| Accounts payable | \$ 28,728 |
| Fund Balances: | |
| Unassigned | 43,556 |
| Total Liabilities and Fund Balances | \$ 72,284 |

See accompanying notes to financial statements.

Terracina Community Development District
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
September 30, 2020

| | |
|--|----------------------------|
| Total Governmental Fund Balances | \$ 43,556 |
| Capital assets, construction in progress, \$9,994, infrastructure, \$1,864,796, net of accumulated depreciation, \$(772,604), used in governmental activities are not current financial resources and; therefore, are not reported at the fund level. | <u>1,102,186</u> |
| Net Position of Governmental Activities | <u><u>\$ 1,145,742</u></u> |

See accompanying notes to financial statements.

Terracina Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
For the Year Ended September 30, 2020

| | General Fund |
|------------------------------------|-------------------------|
| Revenues | |
| Special assessments | \$ 123,821 |
| Investment earnings | 121 |
| Total Revenues | 123,942 |
| Expenditures | |
| Current: | |
| General government | 65,708 |
| Physical environment | 36,660 |
| Capital outlay | 35,621 |
| Total Expenditures | 137,989 |
| Net change in fund balances | (14,047) |
| Fund Balances - October 1, 2019 | 57,603 |
| Fund Balances - September 30, 2020 | \$ 43,556 |

See accompanying notes to financial statements.

Terracina Community Development District
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020

Net Change in Fund Balances - Total Governmental Funds \$ (14,047)

Amounts reported for Governmental Activities in the Statement of
Activities are different because:

Governmental funds report capital outlays as expenditures. However, in
the Statement of Activities, the cost of those assets is allocated over
their estimated useful lives as depreciation. This is the amount that
depreciation \$(61,649) exceeded capital outlay, \$35,621.

(26,028)

Change in Net Position of Governmental Activities

\$ (40,075)

See accompanying notes to financial statements.

Terracina Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL –
GENERAL FUND
For the Year Ended September 30, 2020

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|------------------------------------|----------------------------|-------------------------|------------------|---|
| Revenues | | | | |
| Special assessments | \$ 129,278 | \$ 129,242 | \$ 123,821 | \$ (5,421) |
| Investment earnings | 240 | 121 | 121 | - |
| Total Revenues | <u>129,518</u> | <u>129,363</u> | <u>123,942</u> | <u>(5,421)</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 76,561 | 76,336 | 65,708 | 10,628 |
| Physical environment | 45,200 | 85,899 | 36,660 | 49,239 |
| Capital outlay | - | - | 35,621 | (35,621) |
| Total Expenditures | <u>121,761</u> | <u>162,235</u> | <u>137,989</u> | <u>24,246</u> |
| Net change in fund balances | 7,757 | (32,872) | (14,047) | 18,825 |
| Fund Balances - October 1, 2019 | <u>-</u> | <u>48,292</u> | <u>57,603</u> | <u>9,311</u> |
| Fund Balances - September 30, 2020 | <u>\$ 7,757</u> | <u>\$ 15,420</u> | <u>\$ 43,556</u> | <u>\$ 28,136</u> |

See accompanying notes to financial statements.

Terracina Community Development District
STATEMENT OF FIDUCIARY NET POSITION –
AGENCY FUNDS
September 30, 2020

| | |
|----------------------------|-------------------|
| Assets | |
| Cash and investments | \$ 274,940 |
| Due from other governments | 1,976 |
| Total Assets | <u>\$ 276,916</u> |
| Liabilities | |
| Agency funds on hand | <u>\$ 276,916</u> |

See accompanying notes to financial statements.

Terracina Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE A – SUMMARY OF ACCOUNTING POLICIES

The financial statements of the Terracina Community Development District (the “District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

1. Reporting Entity

The District is an independent local unit of a special-purpose government of the State of Florida established pursuant to the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes, as amended (the “Act”), and Palm Beach County, by Ordinance No. 2004-006 effective as of March 19, 2004, by the Board of County Commissioners of Palm Beach County, Florida (the “County”). The District was established for the purpose of, and the Act authorizes the District, to issue bonds for purposes, among others, of financing the cost of acquisition and construction of water management, water distribution, wastewater collection and transmission, roadway improvements, and other basic infrastructure projects within or without the boundaries of the District. The District encompasses approximately 176 acres of land located entirely within the unincorporated area of the County.

The Act provides that a five-member Board of Supervisors (the “Board”) serves as the governing body of the District. Two of the members of the Board are elected to four-year terms and three are elected to two-year terms at bi-annual elections of the landowners of property within the District.

As required by GAAP, these financial statements present the District (the primary government) as a stand-alone government. The reporting entity for the District includes all functions of government in which the District's Board exercises oversight responsibility which includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, significant ability to influence operations and accountability for fiscal matters.

Based upon the application of the above-mentioned criteria as set forth by the Governmental Accounting Standards Board, the District has identified no component units.

2. Measurement Focus and Basis of Accounting

The basic financial statements of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

Terracina Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

a. Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Government-wide financial statements report all non-fiduciary information about the reporting government as a whole. These statements include all the governmental activities of the primary government. The effect of interfund activity has been removed from these statements.

Governmental activities are supported by special assessments and investment earnings. Program revenues include charges for services and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program. Amounts paid to acquire capital assets are capitalized as assets, rather than reported as a capital expenditure.

b. Fund Financial Statements

The underlying accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. When both restricted and unrestricted resources are combined in a fund, qualified expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

Fund financial statements for the primary government's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collected within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Terracina Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds (Continued)

Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. Interest associated with the current fiscal period is considered to be an accrual item and so has been recognized as revenue of the current fiscal period.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of “available spendable resources”. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources are expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability.

The District classifies fund balance according to Governmental Accounting Standards Board Statement 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*. The Statement requires the fund balance for governmental funds to be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The classifications include non-spendable, restricted, committed, assigned and unassigned.

Terracina Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds (Continued)

The District has various policies governing the fund balance classifications.

Nonspendable Fund Balance – This classification consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance – This classification includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Assigned Fund Balance – This classification consists of the Board of Supervisors' intent to be used for specific purposes, but are neither restricted nor committed. The assigned fund balances can also be assigned by the District's management company.

Unassigned Fund Balance – This classification is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Unassigned fund balance is considered to be utilized first when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Fund Balance Spending Hierarchy – For all governmental funds except special revenue funds, when restricted, committed, assigned, and unassigned fund balances are combined in a fund, qualified expenditures are paid first from restricted or committed fund balance, as appropriate, then assigned and finally unassigned fund balances.

3. Basis of Presentation

a. Governmental Major Funds:

General Fund – The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

b. Agency Fund

The Special Assessment Debt Service Agency Fund accounts for the debt service activity of the Special Assessment Bonds, Series 2014 which were issued to finance certain improvements of the District and reflects the fiduciary nature of its relationship to the bondholders.

Terracina Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Basis of Presentation (Continued)

c. Non-current Governmental Assets:

GASB Statement No. 34 requires that non-current governmental assets, such as land, buildings and improvements be reported in the governmental activities column in the government-wide statement of net position.

4. Assets, Liabilities, and Net Position or Equity

a. Cash and Investments

Florida Statutes require state and local governmental units to deposit monies with financial institutions classified as "Qualified Public Depositories," a multiple financial institution pool whereby groups of securities pledged by the various financial institutions provide common collateral from their deposits of public funds. This pool is provided as additional insurance to the federal depository insurance and allows for additional assessments against the member institutions, providing full insurance for public deposits.

The District is authorized to invest in those financial instruments as established by Section 218.415, Florida Statutes. The authorized investments consist of:

1. Direct obligations of the United States Treasury;
2. The Local Government Surplus Funds Trust or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperative Act of 1969;
3. Interest-bearing time deposits or savings accounts in authorized qualified public depositories;
4. Securities and Exchange Commission, registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

b. Restricted Assets

Certain net position of the District are classified as restricted assets on the statement of net position because their use is limited either by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors. In a fund with both restricted and unrestricted assets, qualified expenses are considered to be paid first from restricted net position and then from unrestricted net position.

Terracina Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assets, Liabilities, and Net Position or Equity (Continued)

c. Capital Assets

The District defines capital assets as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of one year. The valuation basis for acquired assets is historical cost and for donated assets is fair market value.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed and depreciated over their useful lives beginning at the time they are placed in service.

Depreciation is computed using the straight-line method. Capital assets are depreciated on the following basis:

| | |
|----------------|----------|
| Infrastructure | 30 years |
|----------------|----------|

d. Budgets

Budgets are prepared for the governmental funds and adopted after public hearings, pursuant to Chapter 190, Florida Statutes. The District utilizes the same basis of accounting for budgets as it does for revenues and expenditures in its various funds. The legal level of budgetary control is at the fund level. All budgeted appropriations lapse at year end. Formal budgets are adopted for the general fund. As a result, deficits in the budget columns of the accompanying financial statements may occur.

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

“Total fund balances” of the District’s governmental funds, \$43,556, differs from “net position” of governmental activities, \$1,145,742, reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund balance sheet. The effect of the differences is illustrated as follows:

**Terracina Community Development District
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2020**

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

1. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position (Continued)

Capital related items

When capital assets (construction in progress and infrastructure that are to be used in governmental activities) are purchased or constructed, the cost of those assets is reported as expenditures in governmental funds. However, the Statement of Net Position included those capital assets among the assets of the District as a whole.

| | |
|--------------------------|---------------------|
| Infrastructure | \$ 1,864,796 |
| Construction in progress | 9,994 |
| Accumulated depreciation | <u>(772,604)</u> |
| Total | <u>\$ 1,102,186</u> |

2. Explanation of Differences Between the Governmental Fund Operating Statements and the Statement of Activities

The “net changes in fund balances” for government funds, \$(14,047), differs from the “change in net position” for governmental activities, \$(40,075), reported in the Statement of Activities. The differences arise primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated as follows.

Capital related items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balances decrease by the amount of financial resources expended, whereas, net position decrease by the amount of depreciation charged for the year.

| | |
|----------------|--------------------|
| Depreciation | \$ (61,649) |
| Capital outlay | <u>35,621</u> |
| Total | <u>\$ (26,028)</u> |

**Terracina Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020**

NOTE C – CASH AND INVESTMENTS

All deposits are held in qualified public depositories and are included on the accompanying balance sheet as cash and investments

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk; however, they follow the provisions of Chapter 280, Florida Statutes regarding deposits and investments. As of September 30, 2020, the District's governmental activities bank balance was \$50,935 and the carrying value was \$71,525. Exposure to custodial credit risk was as follows. The District maintains all deposits in a qualified public depository in accordance with the provisions of Chapter 280, Florida Statutes, which means that all deposits are fully insured by Federal Depositors Insurance or collateralized under Chapter 280, Florida Statutes.

As of September 30, 2020, the District had the following agency fund investments and maturities:

| <u>Investment</u> | <u>Maturities</u> | <u>Fair Value</u> |
|--|-------------------|-------------------|
| Wells Fargo Government Money Market Fund | 37 Days* | <u>\$ 274,940</u> |

* Weighted average maturity

The District categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The District uses a market approach in measuring fair value that uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities, or groups of assets and liabilities.

Assets or liabilities are classified into one of three levels. Level 1 is the most realizable and is based on quoted price for identical assets, or liabilities, in an active market. Level 2 uses significant other observable inputs when obtained quoted prices for identical or similar assets, or liabilities, in markets that are not active. Level 3 is the least reliable and uses significant unobservable inputs that use the best information available under the circumstances which includes the District's own data in measuring unobservable inputs.

The investment listed above is a level 1 asset.

Investments

The District's investment policy allows management to invest funds in investments permitted under Section 218.415, Florida Statutes.

**Terracina Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020**

NOTE C – CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk

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

Credit Risk

The District's investments in treasury funds, commercial paper, and government loans are limited by state statutory requirements and bond compliance. The District has no investment policy that would further limit its investment choices. As of September 30, 2020, the District's investment in the Wells Fargo Advantage Government Money Market Fund was rated AAAM by Standard & Poor's.

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one issuer. The investments in Wells Fargo Government Money Market Fund are 100% of the District's total investments.

NOTE D – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020 was as follows:

| | Balance October 1, 2019 | Additions | Deletions | Balance September 30, 2020 |
|--|-------------------------------|------------------|------------------|----------------------------------|
| <u>Governmental Activities:</u> | | | | |
| Capital assets: | | | | |
| Construction in progress | \$ 35,644 | \$ 35,621 | \$ 61,291 | \$ 9,974 |
| Infrastructure | 1,803,505 | 61,291 | - | 1,864,796 |
| Total Capital Assets | <u>1,839,149</u> | <u>96,912</u> | <u>61,291</u> | <u>1,874,770</u> |
| Less accumulated depreciation for: | | | | |
| Infrastructure | (710,955) | (61,649) | - | (772,604) |
| Governmental Activities Capital Assets | <u>\$ 1,128,194</u> | <u>\$ 35,263</u> | <u>\$ 61,291</u> | <u>\$ 1,102,166</u> |

Depreciation of \$61,649 was charged to physical environment.

NOTE E – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no claims or settled claims from these risks that have exceeded commercial insurance coverage over the last three years.

Terracina Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE F – AGENCY FUND SPECIAL ASSESSMENT BONDS

In a prior year, the District, acting as agent for the property owners, issued \$4,260,000 Terracina Community Development District Special Assessment Bonds, Series 2014 (the “Bonds”) pursuant to the Act and a Trust Indenture (the “Indenture”) date as of June 1, 2014, by and between the District and Wells Fargo Bank, National Association (the “Trustee”).

The District is not obligated in any manner for the Bonds, which constitute special assessment debt, and is in no way liable for repayment, but is acting only as an agent for property owners in collecting the assessments and forwarding the collection to the paying agent for the bondholders.

The Bonds were issued to finance a portion of the cost of the acquisition and construction of certain improvements (the “Project”), provide a debt service reserve fund, and to pay capitalized interest and the cost of issuance of the Bonds.

The Project consisted of the acquisition, construction, installation and equipping of certain roadway improvements, a stormwater management system, and a water and sewer system which was partially conveyed to Palm Beach County; the remaining amount is \$1,803,505. The outstanding balance of the Bonds at September 30, 2020 was \$3,155,000.

In November 2020, the District made a \$35,000 prepayment on the Special Assessment Bonds, Series 2014.

NOTE G – RELATED PARTIES

Two of the members of the Board are members of the same immediate family.

SUPPLEMENTARY INFORMATION

**Terracina Community Development District
STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES – AGENCY FUNDS
For the Year Ended September 30, 2020**

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|----------------------------|------------------------------|-------------------|-------------------|---------------------------|
| Assets | | | | |
| Cash and investments | \$ 284,648 | \$ 338,747 | \$ 348,455 | \$ 274,940 |
| Due from other governments | 2,041 | 1,976 | 2,041 | 1,976 |
| Total Assets | <u>\$ 286,689</u> | <u>\$ 340,723</u> | <u>\$ 350,496</u> | <u>\$ 276,916</u> |
| Liabilities | | | | |
| Agency funds on hand | <u>\$ 286,689</u> | <u>\$ 340,723</u> | <u>\$ 350,496</u> | <u>\$ 276,916</u> |



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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
Terracina Community Development District
Palm Beach 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 Terracina Community Development District, as of and for the year ended September 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated June 8, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Terracina Community Development District's internal control over financial reporting (internal control) as a basis for designing 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 Terracina Community Development District's internal control. Accordingly, we do not express an opinion on the effectiveness of Terracina Community Development 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 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.

Board of Supervisors
Terracina Community Development District

Compliance and Other Matters

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

Purpose of this Report

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.



Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

June 8, 2021



Berger, Toombs, Elam, Gaines & Frank

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MANAGEMENT LETTER

To the Board of Supervisors
Terracina Community Development District
Palm Beach County, Florida

Report on the Financial Statements

We have audited the financial statements of the Terracina Community Development District as of and for the year ended September 30, 2020, and have issued our report thereon dated June 8, 2021.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States; 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 Financial Statements Performed in Accordance with *Government Auditing Standards* and our Independent Auditor's Report on an examination conducted in accordance with *AICPA Professionals 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 8, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Financial Condition and Management

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

To the Board of Supervisors
Terracina Community Development District

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for Terracina Community Development District. It is management's responsibility to monitor the Terracina Community Development District's financial condition; our financial condition assessment was based in part on the representations made by management and the review of the financial information provided by the same as of September 30, 2020.

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

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Supervisors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Berger Toombs Elam
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

June 8, 2021



**Berger, Toombs, Elam,
Gaines & Frank**

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**INDEPENDENT ACCOUNTANT'S REPORT/COMPLIANCE
WITH SECTION 218.415, FLORIDA STATUTES**

Terracina Community Development District
Palm Beach County, Florida

We have examined Terracina Community Development District's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2020. Management is responsible for Terracina Community Development District's compliance with those requirements. Our responsibility is to express an opinion on Terracina Community Development District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Terracina Community Development District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Terracina Community Development District's compliance with the specified requirements.

In our opinion, Terracina Community Development District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2020.

*Berger Toombs Elam
Gaines + Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

June 8, 2021