

**SUNRISE LAKES PHASE IV
RECREATION DISTRICT
SUNRISE, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2022**

**SUNRISE LAKES PHASE 4 RECREATION DISTRICT
SUNRISE, FLORIDA**

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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Sunrise Lakes Phase 4 Recreation District
Sunrise, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Sunrise Lakes Phase 4 Recreation District, Sunrise, Florida (the "District") as of and for the fiscal year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of September 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

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

Other Information Included in the Financial Report

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2023, 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.



September 19, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Sunrise Lakes Phase 4 Recreation District, Sunrise, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2022. 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 \$4,590,562.
- The change in the District's total net position in comparison with the prior fiscal year was \$1,262,924, an increase. 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, 2022, the District's governmental fund reported ending fund balance of \$5,725,982, a decrease of (\$138,103) in comparison with the prior fiscal year. The total fund balance is non-spendable for prepaid items, restricted for debt service, 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 are 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.

1) 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 include all governmental activities that are principally supported by user fee revenues. The District does not have any business-type activities. The governmental activities of the District include operations and management functions.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

2) 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.

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 statements focus on near-term inflows and outflow 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 two governmental fund for external reporting. Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and debt service fund, both of which are considered major funds.

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

3) 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.

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

	NET POSITION	
	SEPTEMBER 30,	
	2022	2021
Current and other assets	\$ 5,937,037	\$ 6,187,651
Capital assets, net of depreciation	4,801,179	5,043,553
Total assets	10,738,216	11,231,204
Current liabilities	1,951,573	1,958,566
Long-term liabilities	4,196,081	5,945,000
Total liabilities	6,147,654	7,903,566
Net Position		
Net investment in capital assets	(1,094,902)	(2,536,447)
Restricted	3,485,934	3,704,485
Unrestricted	2,199,530	2,159,600
Total net position	\$ 4,590,562	\$ 3,327,638

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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.

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

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

CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED SEPTEMBER 30,		
	2022	2021
Revenues:		
Program revenues		
Charges for services	\$ 4,233,084	\$ 4,233,083
Interest income	159,661	155,158
Unrealized gain (loss) on investments	(235,324)	(156,024)
General revenues		
Unrestricted interest earnings	469	-
Miscellaneous	199,409	43,973
Total revenues	<u>4,357,299</u>	<u>4,276,190</u>
Expenses:		
Administrative and financial support services	780,686	980,913
Operations and maintenance of buildings	1,771,210	969,787
Depreciation and amortization	193,455	193,455
Interest on long-term debt	349,024	371,506
Total expenses	<u>3,094,375</u>	<u>2,515,661</u>
Change in net position	1,262,924	1,760,529
Net position, beginning	<u>3,327,638</u>	<u>1,567,109</u>
Net position, ending	<u>\$ 4,590,562</u>	<u>\$ 3,327,638</u>

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2022 was \$3,094,375. The costs of the District's activities were primarily funded by program revenues. Program Revenue for the current and prior fiscal years primarily consists of assessments and unrealized gain (loss) on investments. Program revenues decreased during the fiscal year as a result of an unrealized loss on investments. General revenues for the current and prior fiscal years consist primarily of miscellaneous income from ticket sales for shows, movies and dances. General revenue increased from the prior fiscal year mainly due to lifting of Covid restrictions and more shows/activities in the District. In total, expenses increased from the prior fiscal year, the majority of the increase was the result of an increase in entertainment costs and increase in satellite projects and clubhouse maintenance and repairs.

GENERAL FUND BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the Board of Supervisors for the District pursuant to the requirements of Florida Statutes. The District's budgeting process is based on estimates of cash receipts and cash expenditures, which are approved by the Board. Further, classification of certain revenues under accounting principles generally accepted in the United States of America differs from classification utilized for budgetary purposes. Other than the classification, 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. Budget amendments that change aggregated appropriations must be approved by the Board. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2022.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2022, the District had \$11,012,015 invested in capital assets for its governmental activities. In the government-wide financial statements depreciation of \$6,210,836 has been taken, which resulted in a net book value of \$4,801,179. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Capital Debt

At September 30, 2022, the District had \$5,945,000 Bonds outstanding for its governmental activities. More detailed information about the District's capital debt is presented in the notes of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Sunrise Lakes Phase 4 Recreation District is an independent special district operating under the authority of Section 418, Florida Statutes and City Ordinance number 429 of the City of Sunrise, Florida. The District encompasses and provides recreation opportunities to the residents of Sunrise Lakes Phase IV, an age restricted condominium development consisting of 2,536 units in 66 buildings, located in Sunrise, Florida and to the general citizens of Sunrise, Florida.

With the end of global pandemic, all the District's programs have resumed including recreation programs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact Sunrise Lakes Phase 4 Recreation District, C/O Juda Eskew and Associates, P.A., 8211 W Broward Blvd, Suite PH 1, Plantation, FL 33324 or call (954) 577-9700.

**SUNRISE LAKES PHASE 4 RECREATION DISTRICT
SUNRISE, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

	Governmental Activities
ASSETS	
Cash	\$ 2,328,453
Investments	3,506,701
Interest receivable	19,751
Due from others	3,239
Prepaid items	78,893
Capital assets:	
Depreciable assets, net of accumulated depreciation	2,101,179
Nondepreciable assets	2,700,000
Total assets	10,738,216
 LIABILITIES	
Accounts payable and accrued expenses	57,627
Accrued interest payable	40,518
User fee payable	153,428
Non-current liability:	
Due within one year	1,700,000
Due in more than one year	4,196,081
Total liabilities	6,147,654
 NET POSITION	
Net investment in capital assets	(1,094,902)
Restricted for debt service	3,485,934
Unrestricted	2,199,530
Total net position	\$ 4,590,562

See accompanying notes to the financial statements

**SUNRISE LAKES PHASE 4 RECREATION DISTRICT
SUNRISE, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2022**

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position
<u>Primary government:</u>	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Administrative & financial support services	\$ 780,686	\$ 780,686	\$ -	\$ -
Operations & maintenance of buildings	1,771,210	1,611,262	-	(159,948)
Depreciation and amortization	193,455	-	-	(193,455)
Interest on long-term debt	349,024	1,841,136	(75,663)	1,416,449
Total governmental activities	3,094,375	4,233,084	(75,663)	1,063,046
General revenues:				
Unrestricted interest earnings				469
Miscellaneous revenue				199,409
Total general revenues				199,878
Change in net position				1,262,924
Net position - beginning				3,327,638
Net position - ending				\$ 4,590,562

See accompanying notes to the financial statements

**SUNRISE LAKES PHASE 4 RECREATION DISTRICT
SUNRISE, FLORIDA
GOVERNMENTAL FUND
BALANCE SHEET
SEPTEMBER 30, 2022**

	Major Funds		Total
	General	Debt Service	Governmental Funds
ASSETS			
Cash	\$ 2,328,453	\$ -	\$ 2,328,453
Investments	-	3,506,701	3,506,701
Interest receivable	-	19,751	19,751
Due from others	3,239	-	3,239
Prepaid items	78,893	-	78,893
Total assets	<u>\$ 2,410,585</u>	<u>\$ 3,526,452</u>	<u>\$ 5,937,037</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	57,627	\$ -	\$ 57,627
User fee received in advance	153,428	-	153,428
Total liabilities	<u>211,055</u>	<u>-</u>	<u>211,055</u>
 Fund balances:			
Nonspendable:			
Prepaid items	78,893	-	78,893
Restricted for:			
Debt Service	-	3,526,452	3,526,452
Unassigned	2,120,637	-	2,120,637
Total fund balances	<u>2,199,530</u>	<u>3,526,452</u>	<u>5,725,982</u>
	<u>\$ 2,410,585</u>	<u>\$ 3,526,452</u>	<u>\$ 5,937,037</u>

See accompanying notes to the financial statements

**SUNRISE LAKES PHASE 4 RECREATION DISTRICT
SUNRISE, FLORIDA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

Fund balance - governmental fund \$ 5,725,982

Amounts reported for governmental activities in the statement
of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the general fund. The statement of net position includes those capital assets net of accumulated depreciation.

Cost of capital assets	11,012,015	
Accumulated depreciation	<u>(6,210,836)</u>	4,801,179

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.

Accrued interest payable	(40,518)	
Note payable	(5,945,000)	
Original issue discount	291,556	
Amortization of original issue discount	<u>(242,637)</u>	<u>(5,936,599)</u>

Net position of governmental activities		<u>\$ 4,590,562</u>
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See accompanying notes to the financial statements

**SUNRISE LAKES PHASE 4 RECREATION DISTRICT
SUNRISE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

	Major Fund		Total
	General	Debt Service	Governmental Funds
REVENUES			
General Revenue	\$ 2,391,948	\$ 1,841,136	\$ 4,233,084
Shows, dances, & movies	166,059	-	166,059
Interest Income	469	159,661	160,130
Unrealized gain (loss) on investments	-	(235,324)	(235,324)
Other revenues	33,350	-	33,350
Total revenues	<u>2,591,826</u>	<u>1,765,473</u>	<u>4,357,299</u>
EXPENDITURES			
Current:			
Utilities	185,009	-	185,009
Maintenance and repair	438,948	-	438,948
General and administrative	420,566	-	420,566
Other costs	722,401	-	722,401
Entertainment costs	280,273	-	280,273
Administrative costs - district operations	79,847	-	79,847
Debt Service:			
Principal	-	1,635,000	1,635,000
Interest	-	308,506	308,506
Capital outlay	424,852	-	424,852
Total expenditures	<u>2,551,896</u>	<u>1,943,506</u>	<u>4,495,402</u>
Excess (deficiency) of revenues over (under) expenditures	39,930	(178,033)	(138,103)
Fund balance - beginning	<u>2,159,600</u>	<u>3,704,485</u>	<u>5,864,085</u>
Fund balance - ending	<u>\$ 2,199,530</u>	<u>\$ 3,526,452</u>	<u>\$ 5,725,982</u>

See accompanying notes to the financial statements

**SUNRISE LAKES PHASE 4 RECREATION DISTRICT
SUNRISE, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

Net change in fund balances - governmental fund \$ (138,103)

Amounts reported for governmental activities in the statement of activities
are different because:

Repayment of long-term liabilities are reported as expenditures in the
governmental fund financial statements but such repayments reduce
liabilities in the statement of net position and are eliminated in the
statement of activities. 1,635,000

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. (40,518)

Amortization of Bond discounts is not recognized in the governmental
fund financial statements, but is reported as an expense in the
statement of activities. (32,612)

Depreciation on capital assets is not recognized in the governmental
fund statement but is reported as an expense in the statement of
activities. (160,843)

Change in net position of governmental activities \$ 1,262,924

See accompanying notes to the financial statements

**SUNRISE LAKES PHASE 4 RECREATION DISTRICT
SUNRISE, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

Sunrise Lakes Phase 4 Recreation District, (the 'District'), was incorporated as a political subdivision of the State of Florida under section 418, Florida Statutes. In April 1994 the City Commission of the City of Sunrise, Florida, created the District subject to approval by referendum of the voters within the District under City Ordinance Number 429. The referendum, which was held in June 1994, approved the establishment of the District. The boundaries of the District are identical with those of Sunrise Lakes Phase 4 (Phase 4), an age restricted condominium development consisting of 2,536 units in 66 buildings, located in Sunrise, Florida.

The District was formed to purchase the recreation lease payment stream due to Leisure Communities, Inc., as subsidiary of Lennar Homes, Inc (the 'Developer'), the developer of Phase 4. These lease payments were previously paid by the owners of condominium apartments for the use of the recreation facilities located within Phase 4.

These recreation facilities consist of 34,000 square foot main clubhouse, including a 1,000 seat auditorium, a 6,000 square foot multipurpose room with kitchen facilities, billiard room, card room, hobby room, craft room, exercise room, a 2,400 square foot heated pool, three tennis courts, six shuffleboard courts, and five handball courts. The five facilities clubhouses are approximately 2,600 square feet each, and include a card room, meeting room, billiard room and kitchen facility, heated pool and shuffleboard courts.

The District owns and operates the recreation facilities previously owned by the Developer and leased to the unit owners of Phase 4. The District's operations include the maintenance of the recreation facilities and the scheduling and running of special events.

The District is governed by the Board of Supervisors ("Board"), which is composed of six members, elected by the residents of the District.

The Board has the final responsibility for:

1. Assessing and levying assessments and user fees.
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

Related Organization

The recreation facilities were operated by Sunrise Lakes Phase 4 Recreation Association, Inc. ("Rec Association") prior to the purchase from the Developer by the District. The members of the Rec Association are the same as the voters entitled to vote in the referendum that established the District. The Rec Association was and is a homeowners association incorporated under and subject to Section 720, Florida Statutes. The Rec Association purchased the golf course located in Phase 4 from the Developer at the same time the District purchased the position described above.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment, and 3) grants and contributions that are restricted to meeting capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues.

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. Ad-valorem taxes are recognized as revenues in the year for which they are levied and when an enforceable lien exists. Grants and similar items are 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.

User and Membership Fees

The District charges a fee to the Rec Association, on a per unit, per month basis, for the use of the Recreation Facilities. For the fiscal year ended September 30, 2022 the charges were \$139.10 per month. Of the total amounts charged, \$60.50 (the 'user' fee) is allocated for principal and interest payments and therefore recorded in the Debt Service fund as General Revenue – Recreation Fees, and the \$78.60 per month (the 'membership' fee) is allocated for general operations and is therefore recorded in the General Fund as General Revenue – Maintenance Fees.

The Recreation association, as a homeowners association, also has a lien and foreclosure rights against the real property located within the district and the Association for unpaid assessments.

In addition, the Board of Supervisors of the District has the same membership as the Board of Directors of the Recreation Association.

The District 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.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first for qualifying expenditures, then unrestricted resources as they are needed.

Assets, Liabilities and Net Position or Equity

Restricted Assets

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

Deposits and Investments

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

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

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

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

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

Prepaid Items

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 government 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 \$750 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

	<u>Years</u>
Buildings	40
Parking/Paving/ Site Improvements	10-20
Machinery and equipment	5-10
Furniture and fixtures	7-10

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Capital Assets (Continued)

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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Fund Equity/Net Position

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.

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 at September 30, 2022 were as follows:

	Amortized cost	Credit Risk	Maturities
U.S. Treasury Bond	\$ 2,517,644	Moody's Aaa	8/15/2023
First American Government Obligation Fund CL Y	989,057	S&P AAAM	Weighted average maturity: 18 days
Total	<u>\$ 3,506,701</u>		

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

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

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

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

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

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

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

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

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2022 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 2,700,000	\$ -	\$ -	\$ 2,700,000
Total capital assets, not being depreciated	2,700,000	-	-	2,700,000
Capital assets, being depreciated				
Buildings	5,313,708	-	-	5,313,708
Parking/ Paving/ Site improvements	1,821,517	-	-	1,821,517
Machinery & equipment	432,678	-	-	432,678
Furniture & fixtures	744,112	-	-	744,112
Total capital assets, being depreciated	8,312,015	-	-	8,312,015
Less accumulated depreciation for:				
Buildings	(3,276,663)	(132,843)	-	(3,409,506)
Parking/ Paving/ Site improvements	(1,650,055)	(9,576)	-	(1,659,631)
Machinery & equipment	(400,955)	(11,174)	-	(412,129)
Furniture & fixtures	(722,320)	(7,250)	-	(729,570)
Total accumulated depreciation	(6,049,993)	(160,843)	-	(6,210,836)
Total capital assets, being depreciated, net	2,262,022	(160,843)	-	2,101,179
Governmental activities capital assets, net	\$ 4,962,022	\$ (160,843)	\$ -	\$ 4,801,179

In connection with the 1998 project, the District owes additional funds in connection with the purchase of the Recreational Facilities. The total deferred payments that could be payable are \$2,500,000 plus interest. In prior fiscal years, \$654,655 was paid with Series 1998 bonds and \$588,582 paid with the Series 2008 Bonds. The Developer has the right, if certain savings are available to the District, to compel the issuance of additional Refunding and Completion Bonds to discharge the District's obligation under his deferred payment provision.

Depreciation expense was charged to the maintenance and repairs.

NOTE 6 – LONG-TERM LIABILITIES

Series 2008

In February 2008, the District issued \$24,745,000 of General Obligation and Revenue Refunding and Completion Bonds, Series 2008, due on August 1, 2024 with a fixed interest rate ranging from 3.25% to 4.125%. Interest is to be paid semiannually on each February 1 and August 1. Principal on the Bonds is to be paid serially commencing August 1, 2008 through August 1, 2024.

The Bonds were issued to refund \$23,025,000 of District's General Obligation and Revenue Refunding and Completion Bonds, Series 1998 ("Refunded Bonds"), make a \$588,582 deferred payment to the Developer (see Note 5) and \$392,388 used to pay the costs of acquiring additional improvements to the Recreational Facilities.

The Series 2008 Bonds maturing on or after August 1, 2018 are redeemable prior to the stated dates of maturity, at the option of the District. The Series 2008 Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture.

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, 2022.

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Long-term Debt Activity

Changes in long-term liability activity for the fiscal year ended September 30, 2022 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2008	\$ 7,580,000	\$ -	\$ (1,635,000)	\$ 5,945,000	\$ 1,700,000
Original issue discount	(81,531)	-	32,612	(48,919)	-
Total	<u>\$ 7,498,469</u>	<u>\$ -</u>	<u>\$ (1,602,388)</u>	<u>\$ 5,896,081</u>	<u>\$ 1,700,000</u>

At September 30, 2022, the scheduled debt service requirements on the long-term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2023	\$ 1,700,000	\$ 243,106	\$ 1,943,106
2024	4,245,000	175,106	4,420,106
Total	<u>\$ 5,945,000</u>	<u>\$ 418,212</u>	<u>\$ 6,363,212</u>

NOTE 7 – RISK MANAGEMENT

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

NOTE 8 – SUBSEQUENT EVENTS

Subsequent to fiscal year end, the executed a \$10,000 settlement with Pritts, Inc.

**SUNRISE LAKES PHASE IV RECREATION DISTRICT
SUNRISE, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

	Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original & Final		
REVENUES			
General revenue	\$ 2,391,950	\$ 2,391,948	\$ (2)
Shows, dance, & movies	193,500	166,059	(27,441)
Interest income	7,000	469	(6,531)
Other revenues	61,000	33,350	(27,650)
Total revenues	2,653,450	2,591,826	(61,624)
EXPENDITURES			
Current:			
Utilities	193,000	185,009	7,991
Maintenance and repair	477,500	438,948	38,552
General and administrative	428,500	420,566	7,934
Other costs	767,000	722,401	44,599
Entertainment costs	306,000	280,273	25,727
Administrative costs - district operations	74,000	79,847	(5,847)
Capital outlay	407,450	424,852	(17,402)
Total expenditures	2,653,450	2,551,896	101,554
Excess (deficiency) of revenues over (under) expenditures	\$ -	39,930	\$ 39,930
Fund balance - beginning		2,159,600	
Fund balance - ending		\$ 2,199,530	

See notes to required supplementary information

**SUNRISE LAKES PHASE IV RECREATION DISTRICT
SUNRISE, 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. Further, classification of certain revenues under accounting principles generally accepted in the United States of America differs from classification utilized for budgetary purposes. Other than the classification, 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. Budget amendments that change aggregated appropriations must be approved by the Board. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2022.

**SUNRISE LAKES PHASE IV RECREATION DISTRICT
SUNRISE, FLORIDA
OTHER INFORMATION – DATA ELEMENTS
REQUIRED BY FL STATUTE 218.39(3)(C)
UNAUDITED**

<u>Element</u>	<u>Comments</u>
Number of district employees compensated at 9/30/2022	12
Number of independent contractors compensated in September 2022	5
Employee compensation for FYE 9/30/2022 (paid/accrued)	\$461,774
Independent contractor compensation for FYE 9/30/2022	\$8,380
Construction projects to begin on or after October 1; (>\$65K)	None
Budget variance report	See page 21
Ad Valorem taxes;	Operations and maintenance - \$78.60
	Debt service - \$60.50
Special assessments - General Revenue collected FYE 9/30/2022	\$2,391,948
Special assessments - Recreation Fees collected FYE 9/30/2022	\$1,841,136
Outstanding Bonds:	
Series2008, due August 1, 2024	see Note 6 for details



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

Board of Supervisors
Sunrise Lakes Phase IV Recreation District
Sunrise, 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 the major fund of Sunrise Lakes Phase IV Recreation District, Sunrise, Florida ("District") as of and for the fiscal year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated September 19, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

We noted certain matters involving the internal control over financial reporting and compliance that we have reported to management of the District in a separate letter dated September 19, 2023.

The District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying Management Letter. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Bhav & Associates

September 19, 2023



Grau & Associates
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**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
Sunrise Lakes Phase IV Recreation District
Sunrise, Florida

We have examined Sunrise Lakes Phase IV Recreation District, Sunrise, 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, 2022. 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.

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2022.

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 Sunrise Lakes Phase IV Recreation District, Sunrise, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Grau & Associates

September 19, 2023



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

To the Board of Supervisors
Sunrise Lakes Phase IV Recreation District
Sunrise, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of Sunrise Lakes Phase IV Recreation District, Sunrise, Florida (the "District") as of and for the fiscal year ended September 30, 2022, and have issued our report thereon dated September 19, 2023.

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 September 19, 2023, should be considered in conjunction with this management letter.

Purpose of this Letter

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

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

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

We wish to thank the Sunrise Lakes Phase IV Recreation District and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements and the courtesies extended to us.

Grau & Associates

September 19, 2023

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2022-01 QPD Filing:

Observation: Florida Statutes require filing of the Public Depositor Annual Report to the Chief Financial Officer by November 30. The District did not have its funds in a public deposit account the fiscal year ended September 30, 2022 and the report was not filed with the Department of Financial Services by November 30, 2022.

Recommendation: We recommend that the District take the necessary steps to comply with the Statutes and file the report within the statutory time frames.

Management Response: The District is currently working with its Qualified Public Depository (Popular Bank) to ensure all of its deposit accounts are protected from loss as set forth in Section 280.17, Florida Statutes.

2022-02 Audit Report Filing:

Observation: Florida Statutes require governmental entities to file an annual financial report and a copy of the financial audit with the State within 9 months of the end of the fiscal year. Both the annual financial report and the audited financial statements for the fiscal year ended September 30, 2022 were not filed by June 30, 2023.

Recommendation: The District should take the necessary steps to comply with the Florida Statutes and file both reports within the statutory time frames.

Management Response: The District is committed to filing the required financial reports and audit within the statutory timeframes, and to be in compliance with the Florida Statutes.

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

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

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

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

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2021.

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, 2022, 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, 2022.

REPORT TO MANAGEMENT (Continued)

4. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.
5. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
6. We applied financial condition assessment procedures and no deteriorating financial conditions were noted. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.
7. Management has provided the specific information required by Section 218.39(3)(c) in the Other Information section of the financial statements on page 23.